

# PetfoodIndustry

**PET FOOD MARKET TRENDS:**

## **Regional and Global Business Impacts**

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## PET FOOD TRENDS TRAVEL THE GLOBE

Pet food and pet trade shows around the world demonstrate that there are several key pet food trends which weave a common thread throughout them all, proving that the world — and the pet food industry — are indeed global. Topics such as protein (novel, alternative, etc.), sustainability, transparency and specialty categories continue to grow in complexity as pet food customers all over the world become increasingly invested in their pets' nutrition.

### MEAT AND PROTEINS

The focus on meat so prevalent in North America has definitely “jumped the pond” to Europe and beyond. At Interzoo, companies from around the globe touted fresh meat, high meat, BARF and other claims, often with the companion claim of grain free. At the same time, alternative proteins are gaining more attention, whether for perceived health reasons such as pet allergies or concerns over supply and sustainability. Insect protein, for example, is showing up in pet treats in North America and even complete diets in Europe.

### SUSTAINABILITY

This was a common theme in Petfood Forum 2016 presentations on pet food ingredients such as novel proteins, by-products and biomass. For a real market example, Beco Pets, a UK manufacturer of eco-friendly pet products, launched its Eco Conscious Food for Dogs at Interzoo. The philosophy carries through from the ingredients to the packaging, which the company says is the first plastic, resealable, completely biodegradable bag.

### TRANSPARENCY

Transparency is another word heard frequently at Petfood Forum, it's been on display at other shows, including Open Farm's booth at Global Pet Expo showing what its Certified Humane claim means and featuring its new app for tracing the origin of all ingredients in its products, and Nativia, a small Czech pet food company, explaining on its packaging at Interzoo exactly how much fresh meat and animal protein, on a dry matter basis, is in each product.

### ALTERNATIVE/SPECIALTY CATEGORIES

Freeze-dried pet food is hot in the US, especially “kibble plus” products that mix freeze-dried bits with traditional dry food at a much more affordable price. Specialty products are rising in popularity, with companies such as Vital Petfood Group, a Danish private label manufacturer, offering custom condition-specific diets to pet shops and veterinary clinics, and MSM Pet Food of Italy debuting a three-layered kibble with a gel-like interior.

It is critical to stay on top of the most important issues impacting the pet food industry today to remain competitive. The Petfood Industry Focus Series was created to help you achieve that objective, and ultimately succeed in reaching your business goals.

**Petfood**Industry

# Regional Pet Food Market Growth Trends





## DIVERSE PET FOOD MARKET GROWTH IN WESTERN, EASTERN EUROPE

By Lindsay Beaton

Published July 10, 2017

*With Western Europe maturing, there are nevertheless ample pet food market share opportunities as pet owner populations continue to grow and Eastern Europe shows expansion of its own.*

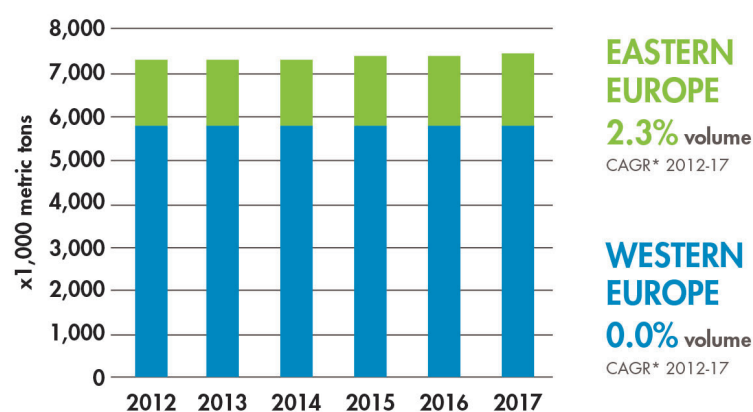


**Western Europe is a slow-growth, mature market, but Eastern Europe provides significant opportunities in pet food.**

Willie Cole.Fotolia.com

Pet food market growth in Europe has shifted gears. In Western Europe, volume growth is at a standstill (and even negative in some countries) due to market maturity; nearly all growth that does exist is being driven by retail value (i.e., price increases). Eastern Europe is a different story: With both retail volume growth and value growth, there's a lot happening to drive this developing segment of the pet food market. A growing pet population, an increase in the demand for prepared pet foods and economic recovery are all playing roles in ensuring Eastern Europe isn't forgotten in the battle for pet food growth.

### TOTAL VOLUME SALES OF PET FOOD IN EUROPE (2012-17)



\* Compound annual growth rate  
Source: Euromonitor International, via Petfood Forum Europe 2017

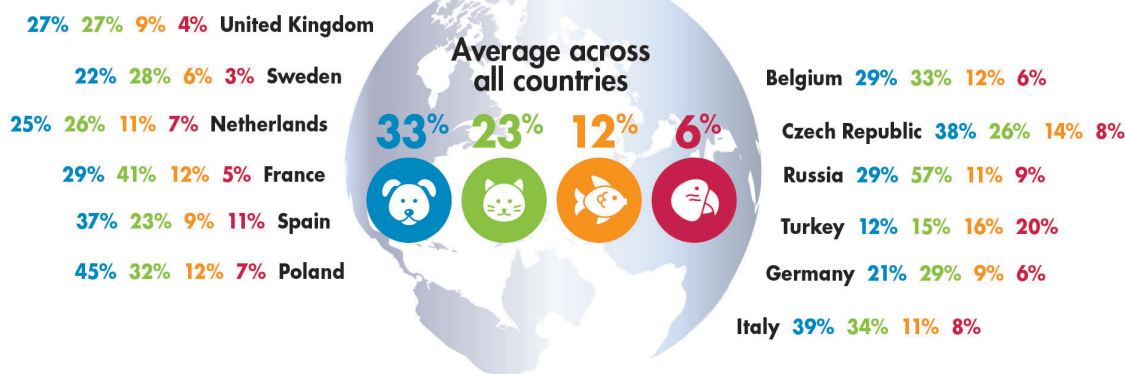
**FIGURE 1: The total volume sales of pet food in Europe is heavily skewed to Western Europe. However, Eastern Europe has seen the greater compound annual growth rate (CAGR) in the last several years, at 2.3 percent between 2012 and 2017 (compared to Western Europe's 0 percent).**

That's not to say that Western Europe isn't holding up its end of the market. The estimated total volume sales of pet food for 2017 is 5.834 million metric tons in that area, while Eastern Europe's estimate is 1.642 million metric tons, according to Euromonitor International data (see Figure 1). But Eastern Europe's volume has increased every year since 2012, while Western Europe's has, at best, stagnated within the same time period.

Further, there's no denying that, in some countries, Eastern Europe is holding strong with Western Europe in terms of pet ownership. Fifty-seven percent of Russians, for example, have cats, according to GfK — the highest

## EUROPE: PERCENTAGE OF PEOPLE LIVING WITH DIFFERENT PETS (SELECT COUNTRIES)

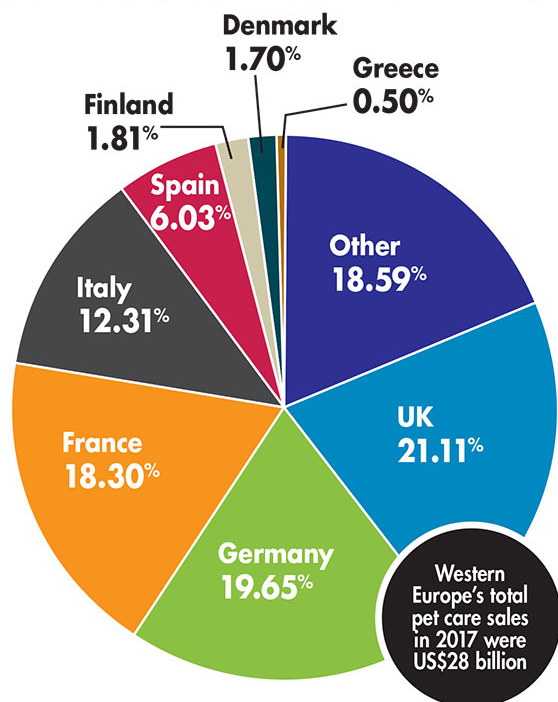
Source: GfK



**FIGURE 2:** Russia's cat ownership is the highest in the world, at 57 percent. Another notable number is Poland's dog ownership, which stands at nearly one in two homes (45 percent).

percentage of any country-specific population surveyed (see Figure 2) and among the highest in the world, keeping company with Argentina, Mexico, Brazil and the United States. Forty-five percent of Poland's population and 38 percent of the Czech Republic's population own dogs, holding pace with or even beating more developed countries like Italy (39 percent own dogs) and Spain (37 percent).

## WESTERN EUROPE: SHARES OF PET CARE RETAIL SALES (2017)



Source: Euromonitor International, via Petfood Forum Europe 2017

**FIGURE 3:** The UK, Germany, France and Italy take up the majority of Western Europe's pet care retail value sales.

## WESTERN EUROPE: A MATURE PET FOOD MARKET WITH SLOWED GROWTH

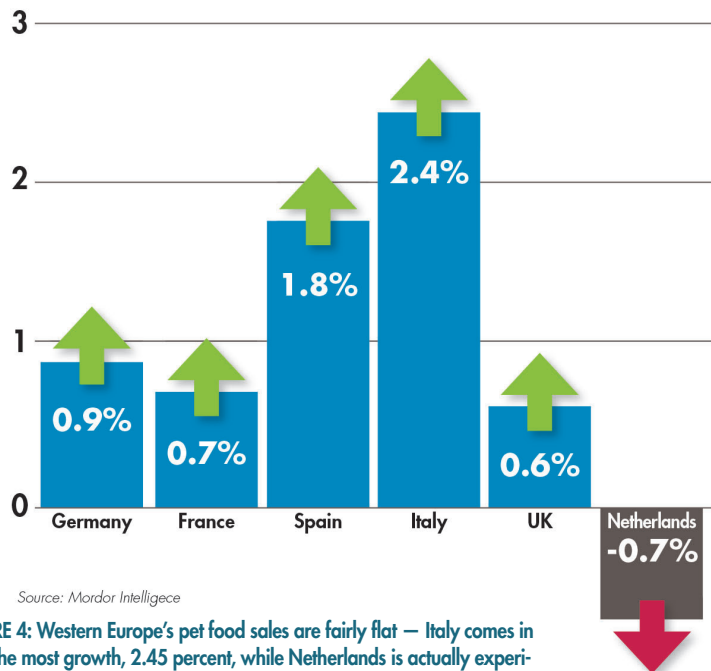
Europe's pet food market was valued at US\$23.74 billion in 2016, according to Mordor Intelligence data, and the vast majority of that continues to come from Western Europe. Further breaking it down, a significant part of the region's pet care market is concentrated in four countries: the United Kingdom, Germany, France and Italy (see Figure 3), according to Euromonitor International data. Overall, Western Europe has seen a 2 percent compound annual growth rate in value sales between 2012 and 2017.

Unsurprisingly, dog and cat food make up the majority of pet care sales (totaling roughly US\$28 billion) in Western Europe: US\$9.74 billion and US\$9.98 billion, respectively, according to Euromonitor data. "Other pet food" brings in another US\$1.80 billion, while other pet products make up the remaining US\$1.80 billion.

The numbers are significant, but they're also largely unchanging: Pet food sales between 2015 and 2016 remained mostly stagnant, with minor exceptions (see Figure 4). While Italy saw the most sales growth in the region (2.45 percent), countries like the UK, France and Germany — the major players in Western Europe's pet care market — didn't even grow by 1 percent. And the Netherlands market actually



## PET FOOD SALES GROWTH IN WESTERN EUROPE (2015-16)



Source: Mordor Intelligence

**FIGURE 4:** Western Europe's pet food sales are fairly flat — Italy comes in with the most growth, 2.45 percent, while Netherlands is actually experiencing negative growth, at -0.7 percent.

dropped by 0.70 percent, according to Mordor Intelligence data.

So, where is the growth in Western Europe? Currently, premium pet food is driving sales, according to Euromonitor data. While economy and mid-priced pet foods had negative compound annual growth rates (CAGRs) between 2012 and 2017, premium pet food had a CAGR of 1.7 percent during the same time period. Interestingly, pet treats are experiencing significant growth on both the dog and cat side. Dog treats make up the bulk of pet treat sales, and experienced 5.1 percent CAGR between 2012 and 2017. Cat treats, while the lesser of the two main treat market options in terms of sales, is showing even higher growth with an 8.6 percent CAGR.

## EASTERN EUROPE: SHARES OF PET CARE RETAIL SALES (2017)



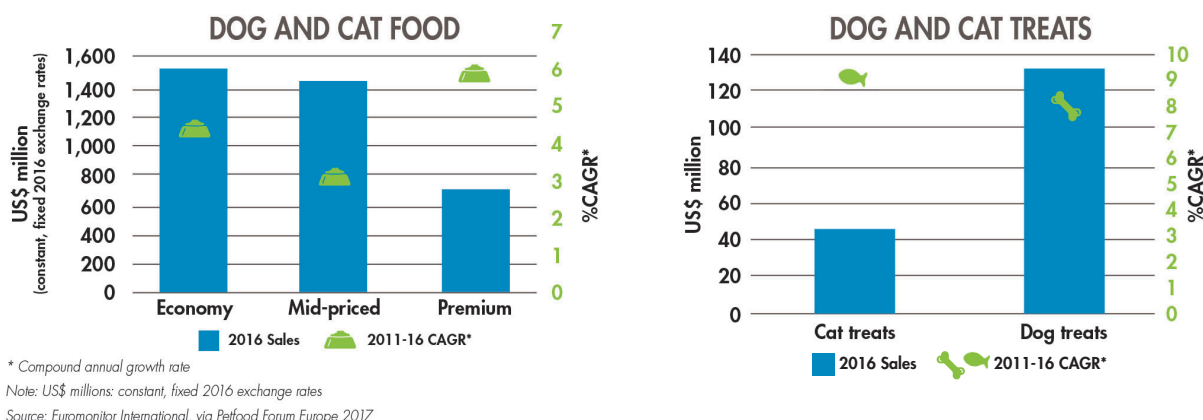
**FIGURE 5:** Russia makes up the largest piece of the Eastern European pet care pie (more than half of sales), with Poland coming in a fairly distant second.

## EASTERN EUROPE: A DEVELOPING MARKET WITH GROWTH OPPORTUNITIES

Eastern Europe's pet care value sales come out to roughly US\$5 billion, according to Euromonitor data, with Russia by far the most dominant player bringing in US\$3.05 billion (see Figure 5). But while Eastern Europe's contributions to the larger European pet food market are significantly smaller than Western Europe's, the region's growth shows promise: 4 percent CAGR between 2012 and 2017.

Russia's influence on the Eastern Europe pet food market is clear. The country is first in the world for cat ownership, according to GfK, with 57 percent of households including a feline companion. For comparison, the next largest cat-owning country is France, where 41 percent of people keep a cat. This influence is also in spite of a significant economic recession that caused Russia's retail value growth to begin dropping in 2013 and plummet between 2014 and 2015 — the country's economy is beginning to recover, and with that recovery comes increased buying power. In fact, Russia's retail value growth is expected to be the highest of the Eastern European countries in 2017, according to Euromonitor data.

## PET FOOD OPPORTUNITIES IN EASTERN EUROPE



**FIGURE 6:** Eastern Europe's pet food market opportunities span all the primary segments and include both dog and cat treats, making the region an interesting market segment for those looking to grow their hold in that area.

That being said, there is opportunity everywhere in the Eastern European pet food market. The CAGR for all three major pet food segments — economy, mid-priced and premium — saw growth between 2011 and 2016, with the premium segment coming out on top at 5.8 percent, according to Euromonitor (see Figure 6). Dog and cat treats are also growth opportunities, with CAGRs of 8 percent and 9 percent, respectively, between 2011 and 2016. Penetration into the prepared cat and dog food markets are increasing among several countries, with Bulgaria, Poland, Russia and Slovakia all posting higher market shares in both categories in 2016.

### EUROPE: A MARKET WITH CONTINUING POTENTIAL

While Western Europe is forecast to see continued slow growth focused in the premium segment, there is always room for expanded market penetration. Eastern Europe shows its potential clearly, be it through Russia's recovering economy and increasing middle class, or through other developing countries seeing significant growth in prepared pet food sales as their disposable incomes rise.



## PET FOOD M&A HIGHLIGHTS DEVELOPING MARKETS, OTHER TRENDS

By Debbie Phillips-Donaldson

Published June 26, 2017

*Pet food mergers and acquisitions in 2017 showcase rising markets like China and expansion into new areas for the buyers.*



If there were any doubt that developing pet food markets like China are well on their way to becoming global players, consider this: in March 2017, KKR, a global investment firm active in the pet market, invested in Gambol Group, a Chinese pet food company. Six months earlier, a Chinese investment firm, Hillsdown Capital Management, acquired Gimborn, a pet treat manufacturer based in Germany.

Gambol likely attracted KKR's interest because of its existing influence outside of China, such as in the US, where it has grown into the largest private-label supplier of pet treats to Walmart. KKR's investment cemented its status on the international scene.

This focus on growing markets is not limited to China: in May 2017, German pet food company Interquell formed a joint venture in Thailand called Happy Pet, mimicking its leading Happy Cat and Happy Dog brands in its home region.

The new, fascinating interplay between Asia and more established regions like North America and Western Europe may signal the future of the global industry. "In my opinion, this is the start of a wave of acquisitions – certainly in Europe – originating in China that will change the rules of the game somewhat," commented Marcel Blok, a longtime European industry consultant who is now also working with Chinese companies.

This year has also brought acquisitions of private label manufacturers by companies not traditionally aligned with that sector of industry. Most notable was ingredient supplier ADM Animal Nutrition's January 2017 purchase of Crosswinds, a contract pet treat manufacturer ([www.PetfoodIndustry.com/articles/6421](http://www.PetfoodIndustry.com/articles/6421)).

"Certainly in highly saturated (pet food) regions, a further consolidation of the industry seems unavoidable," Blok said, noting specifically "second tier" companies in terms of market size. "These types of companies offer an extension of opportunity .... Extension can be new geographic markets and product formats that will make the difference in the future."

## RUSSIAN PET FOOD PRODUCERS AIM TO INCREASE MARKET SHARE

By Vladislav Vorotnikov

Published March 14, 2017

*In a challenging pet food market, Russia's domestic manufacturers compete with international companies.*



Russia's pet food market has proven challenging for domestic producers looking to gain a larger foothold against international entities.

annaav.fotolia.com

Since the crash of socialism and the opening of borders for free trade the Russian pet food market has been strongly dominated by international companies. According to data from Russia's Association of Pet Food Producers, international pet food companies own an 80–85 percent share in total pet food sales. However, the situation may change in the coming years under the influence of a changing market.

### DOMESTIC PET FOOD OPPORTUNITIES IN A GROWING MARKET

Domestic pet food companies in Russia can now successfully compete with foreign producers in terms of product composition, according to Dmitry Trukhanov, brand manager of R-Trade, a Moscow-based manufacturer of pet food. In the last couple of decades, he said, Russian companies have obtained market experience and have good formulas, even operating in the budget market segment. R-Trade currently produces 500–600 metric tons of pet food per month, a lower figure when compared to 2014 or 2015 primarily because company had to raise sales prices, said Trukhanov. He said that some raw materials are imported, so the devaluation of the Russian ruble increased the financial burden on domestic pet food manufacturers. At the same time, international companies, with the use of some internal resources, managed to keep the rise of prices rather moderate.

Russian pet food manufacturer KlinVet has been following a strategy of modernization to succeed in the domestic market. According to Maxim Malagin, director of KlinVet, beginning in 1998 (the founding of the company) KlinVet used pet food formulas developed by the Soviet Union's Ministry of Defense for tracker dogs. After those initial years, however, the formulas were modernized, with the assistance of specialists from Denmark and England, in order to meet European standards of quality. KlinVet does not disclose production numbers, but estimates from Russian consulting agencies suggest it was close to 20,000 metric tons per year prior to the current challenges.



Russian pet food grocery shelves are dominated by foreign brands.

Vladislav Vorotnikov

### MEDIA PRESENCE AND MARKETING

According to manufacturers in Russia's domestic pet food market, in terms of quality their production could successfully compete with foreign brands, but international companies have a stronger presence primarily





**The majority of domestically produced Russian pet foods are sold in the budget segment of the market.** Vladislav Vorotnikov

due to the large amount of money they spend on having a solid media presence. According to Trukhanov, Russian manufacturers are short of money to describe the merits of products as quickly and clearly as international companies do, using the most massive channel of communication — television. Russian producers, he said, are going a different way, communicating through exhibitions, printed materials and specialized media, but this way takes far more time to succeed.

According to JSC Russian Pet Food Company's press service, lack of funds spent on having a media presence can be considered a competitive advantage for the company, since it allows manufacturers to offer products at the best (lower) price. The Tambov-based producer operates locally and holds a share of about 15 percent in its own and a number of neighboring regions, producing 7,000–8,000 metric tons of pet food, according to various agency estimates.

Homeland Food positions itself as the only 100 percent Russian manufacturer of pet food. According to the company's press service, independent domestic pet food manufacturers in the country are imitating foreign market players and using a cultural code which is not relevant to Russian cultural values. As a result, said the company, grocery shelves in the country have a strong dominance of trademarks with English names, even if the actual product is produced in Russia. In general, Homeland Food is part of growing trend in the Russian food industry where some manufacturers are trying to use consumer patriotism to boost sales volume, offering fully homemade products as a way to keep customer money in Russia.

In terms of marketing, Russian manufacturers said that international players are conducting aggressive policies in terms of cooperating with retail chains, demanding that their products be put in optimal shelf spots while products of Russian companies sit on lower shelves. According to Malagin, this was one of the main reasons KlinVet's sales growth at one time reduced from 15 percent to a lower figure, due to the collapse of sales in retail chains.



**In an attempt to strengthen their presence in the market, formulations and packaging of domestically produced pet food have improved.**

Vladislav Vorotnikov

## THE FUTURE OF COMPETITION IN RUSSIA'S PET FOOD MARKET

Overall, Russia's domestic pet food players are relying on a mix of modernization of their formulas, expansion of their brands and a play on the patriotism of the country's citizens to compete in the internationally dominated current market. For those who are successful, opportunities remain as the market continues to grow.

## MIRATORG: A NEW DOMESTIC PLAYER IN RUSSIA'S PET FOOD MARKET

In general, it is thought that international pet food companies don't care too much about domestic Russian producers, under the assumption that they don't have the funds or technologies to become serious competitors. However, agricultural giant Miratorg, which recently disclosed plans to expand its business into the production of pet food, could be completely different story.

Miratorg is the second-largest producer of meat in Russia and the largest producer of compound feed. It processes nearly 1.4 million metric tons of feed ingredients annually, and will be able to produce large quantities of pet food at nearly zero cost from materials currently being considered waste.

Miratorg owners are also close to the country's authorities, and as a result the company has state support, including tax breaks, in its projects. These factors have led Russia's experts to predict that Miratorg entering the pet food market, which the company expects to do in the next couple of years, might significantly change the balance of power.

## SOUTH AFRICAN PET FOOD MARKET GROWING DESPITE CHALLENGES

By **Lindsay Beaton**

Published December 6, 2016

*South Africa's pet food market has significant challenges, but as it continues to grow it presents some opportunities, as well.*



**South Africa's developing pet food market presents both challenges and opportunities for manufacturers looking to expand.**

*Jacques Jacobsz.Fotolia.com*

South Africa's economic climate has certainly presented struggles for the pet industry. The highest unemployment levels since the 2008–09 recession (26.7 percent in the first quarter of 2016), high inflation (nearly 7 percent) due to a weak rand and the worst drought in 23 years, and weaker commodity prices have converged to decrease overall consumer spending, including in the pet food market. The impact has been felt significantly in the premium segment, where higher-end brands such as Hill's, Eukanuba, Iams and Royal Canin have felt the effects of the weakening exchange rate, according to Euromonitor International. Even mid-priced brands, such as Whiskas and Friskies, have felt the crunch.

But there are opportunities in the market, as well. According to Euromonitor, due to consumer demand for products in a variety of price points as well as product offerings, there is room for both international and local companies to compete. [Global player](#) Nestlé sold the South African branch of its pet food business to local manufacturer Martin & Martin in 2016, including its Purina brands and a manufacturing facility in N'dabeni. Mars continues to be a strong market presence with its mid-priced dog and cat food brands in spite of the challenges, and the local Foodcorp brands offer quality as well as affordability.

### SOUTH AFRICA PET FOOD SALES GROWTH, VETERINARY CHANNEL



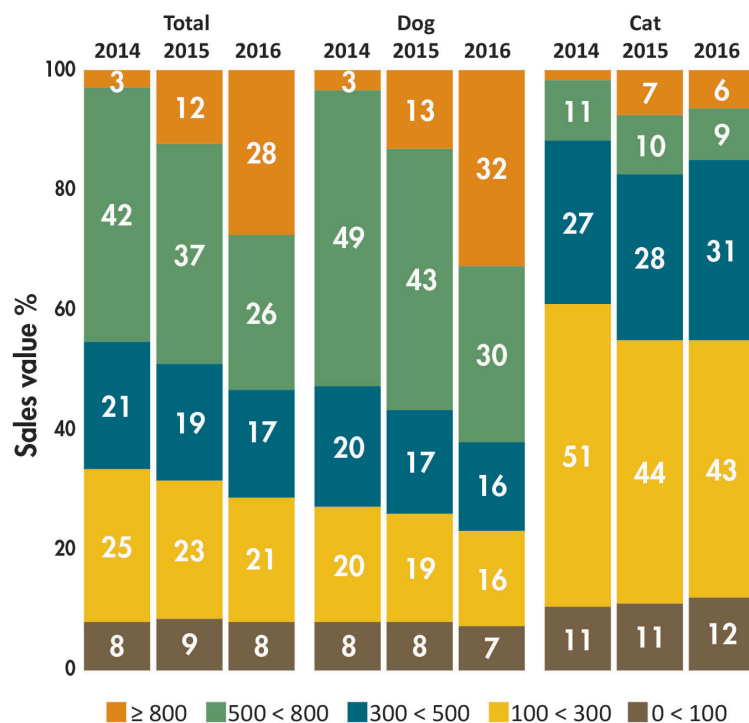
**FIGURE 1: While volume sales have gone down due to challenges such as a decrease in large breed formula purchases, overall sales value has consistently increased since 2014.**

### OPPORTUNITIES IN SOUTH AFRICA'S PET FOOD MARKET

There are 7.4 million dogs and 2 million cats in South Africa, contributing to the country's roughly US\$300 million pet food market. According to GfK data, that money is largely going to dry pet food (89 percent in 2015), while wet pet food and treats take up 5 percent each of the remaining market share. But not only is pet ownership expected to continue increasing alongside growing urbanization, humanization is expected to play a significant role in the shifting market. According to Yolanda Nkangana, client executive, major domestic appliances and pet care for GfK, the role of dogs in South Africa is shifting. During her November 2016 webinar, "South Africa pet food: Why sales value continues to grow in



## SOUTH AFRICA PET FOOD SALES GROWTH, VETERINARY CHANNEL



Price range of pet food packages (Rand)

\* January to September

Source: GfK

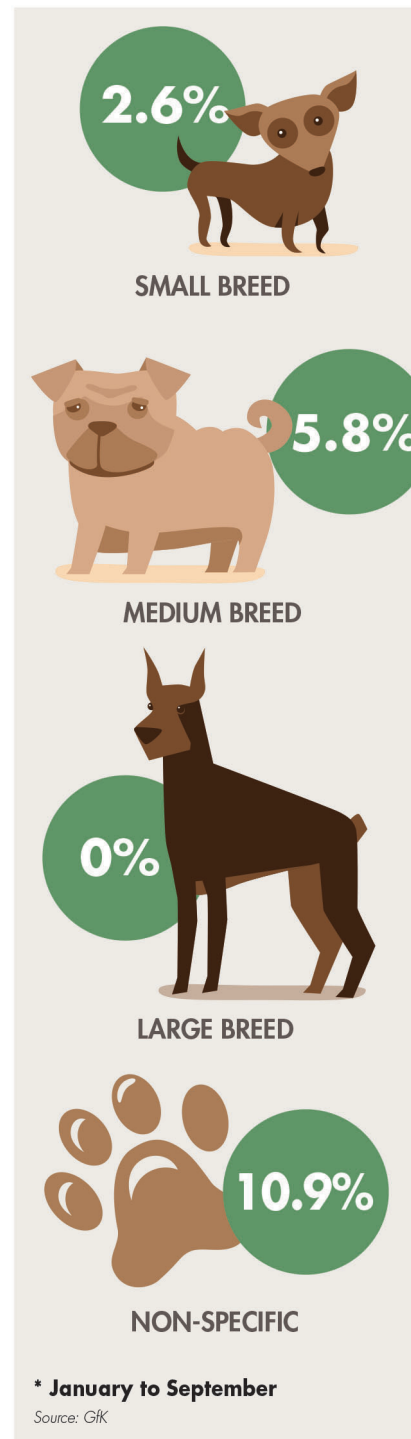
**FIGURE 2: More expensive, premium pet foods are experiencing some growth as the veterinary channel expands. Vets and pet shops are the primary sellers of premium pet foods in South Africa.**

specialist channels,” presented in conjunction with WATT Global Media, Nkangana discussed the change in dogs as security guards to dogs as pets. As with more developed markets, consumers are increasingly looking to their animals as additional members of the family and want to treat them as such.

Supermarkets remain the leading distribution channels for pet care products in South Africa, according to Euromonitor, and dog and cat food are the biggest categories within pet care. Supermarkets stock a wide variety of economy and mid-priced pet foods, along with a smaller selection of other pet food and products. This combination of options and price point allows supermarkets to continue to dominate in terms of distribution. Pet shops are the leaders in other pet food, as they, along with veterinarians, stock premium pet food brands.

But the veterinary channel is growing, and sales value has increased consistently in the last three years (see Figure 1). This is good news for premium brands, since they cater to the vet channel, and the numbers are beginning to reflect small growth of more expensive pet foods (particularly dog food) as a result (see Figure 2). According to Nkangana, millennials in particular are seeing that the cost per month works out to an affordable number when proper feeding guidelines are followed — a tempting prospect for a generation looking to get the best value for their money.

## SOUTH AFRICA BREED-SPECIFIC PET FOOD GROWTH 2015-16



\* January to September

Source: GfK

**FIGURE 3: Large breed pet food formulas have seen no growth; however, small- and medium-breed formulas are making up the difference with their own growth as urbanization combines with humanization to expand pet ownership in South Africa.**

Dog food definitely dominates when it comes to the premiumization of the market, which is no surprise, as it dominates in general, as well. The split between dog food's share of South Africa's pet food market (roughly 81 percent) and cat food's share (roughly 19 percent) has remained stable since 2014, according to GfK data. And overall, the market is becoming more diverse: while the average number of SKUs per shop increased from 2014 to 2015 and then decreased from 2015 to 2016 (to numbers lower than in 2014, notably), competition overall has increased and the average number of selling SKUs has grown, according to Nkangana.

## OTHER TRENDS: BREEDS, NATURAL AND GRAIN FREE, SPECIALTY FORMULAS

As in other developing markets experiencing increased urbanization and an uptick in pet ownership, small and medium dog breeds are more popular when compared to larger breeds. This has led to a negative impact on pet food volume sales but a positive impact on sales value, due to an increase in purchases of small and medium breed-specific formulas, according to GfK (see Figure 3). Non-specific breed formulas still hold the majority of the market (52.7 percent in 2016, according to GfK data), with large breed formulas coming in second (21 percent), small breed formulas third (15.8 percent) and medium breed formulas fourth (10.5 percent).

Natural and grain-free pet food diets are experiencing slow growth overall, though weighted distribution is high in specialty channels, according to GfK. Natural diets made up just 8 percent of sales in the 2016 veterinary channel, but that number represents growth from 4 percent at the beginning of 2014. Grain-free formulas have remained fairly steady since 2014, representing roughly 2 to 3 percent of the veterinary channel.

Finally, therapeutic diets are gaining market share when compared to wellness diets: In 2016, therapeutic formulas held 25 percent of the veterinary channel market share, to wellness' 75 percent. That 25 percent is up from 20 percent at the beginning of 2014, according to GfK. But multi-care products have not seen the same growth. In South Africa, according to Nkangana, in vet channels, consumers usually purchase pet foods highlighting one specific need. "General health" is the primary purchase, at 63 percent of the market share in 2016, followed by "Other" (25 percent), "weight control" (11 percent) and "multi-care" (just 1 percent).

Overall, the growing pet owner base will seek the best value for their money for the foreseeable future, according to Euromonitor. Consumers with multiple dogs may trade up to larger pack sizes to get the most value for their money; however, households with one pet may continue to choose smaller pack sizes for storage convenience and in-the-moment cost savings. Manufacturers looking to get into the South Africa market should focus on affordability and flexibility when considering what to sell, in order to maximize value for consumers in multiple channels.



## MEXICO'S DEVELOPING PET FOOD MARKET POISED FOR GROWTH

By Lindsay Beaton

Published November 4, 2016

*As pet food recovers from the effects of a VAT enacted in 2014, opportunities present themselves in this developing market.*



Mexico is continuing to recover from a pet food VAT enacted in 2014, presenting plenty of opportunities in a developing market. Susan Schmitz.Fotolia.com and corund.Fotolia.com

### Leading companies in the Mexico pet food market

Company	Total market share (volume)
<b>Dog</b>	
Nestlé México	<b>27.1%</b>
Mars México	<b>26.6%</b>
Malta Cleyton	<b>9.6%</b>
<b>Cat</b>	
Mars México	<b>40%</b>
Nestlé México	<b>32.9%</b>
Malta Cleyton de México	<b>7.5%</b>

Source: Triplethree International, 2016 data

### More on global petfood market data

[www.petfoodindustry.com/directories/211](http://www.petfoodindustry.com/directories/211)

Unsurprisingly, perhaps, the top two companies holding significant pet food market share in Mexico are Nestlé and Mars, two of the largest and most diverse companies in the world. Malta Cleyton, a subsidiary of InVivo based in Mexico City, comes in at a distant third in market share.

Not only is Mexico among the top 10 pet care markets globally, it's also among the fastest growing. Within that market is plenty of growth in pet food, including some surprising numbers among the premium and superpremium pet food categories as disposable income in Mexico's larger cities allows pet owners to feed their pets commercially — and feed them well.

### MEXICO'S PET FOOD MARKET

Pet food sales in Mexico increased 13.7 percent in 2015 to MXN42.6 billion (US\$2.28 billion), according to Ivan Franco, owner of Triplethree International, who spoke at Foro Mexico in June 2016. While the volume of pet food sold remained flat, sales value grew significantly, at about 10 percent net growth after accounting for inflation. These numbers are good news for Mexico, where pet food sales are just beginning to rebound from the effects of a value-added tax (VAT) of 16 percent enacted by the government in 2014.

Dog food makes up the vast majority of Mexico's pet food market: 96 percent, or MXN40.9 billion (US\$2.195 billion), according to Franco. Cat food comes in at only MXN1.7 billion (US\$91.24 million). Together, the segments produce slightly more than 1 million metric tons in terms of volume, most of it dry pet food (88 percent dog food and 84 percent cat food). Wet and moist pet food shares are 11 percent for dog food and 16 percent for cat food, and snacks and chews register at less than 1 percent.

According to Franco, in spite of Mexico being more of a developing market for pet food, superpremium products account for 19 percent of dog food sales and premium products claim another 66 percent, while standard (economy) products hold just 15 percent of the market. As far as cat food is concerned, superpremium sales make up 7 percent of all sales, while premium takes the remaining 93 percent.

## MEXICO'S PET FOOD MARKET: BY THE NUMBERS

TOTAL PET FOOD SALES (US\$2.28 BILLION)

**\$2.195  
billion**

**Dog food sales**

**\$91.24  
million**

**Cat food sales**

### DRY VS. WET PET FOOD SALES

**Dry  
88%**

**Wet  
11%**

**Dog food**

**Dry  
84%**

**Wet  
16%**

**Cat food**

**PET FOOD SALES**

**UP 13.7%**

**in 2015**

Source: Ivan Franco, Triplethree International, Foro Mexico 2016

**Dog food makes up the vast majority of Mexico's pet food market.**

(US\$2.32 billion), while cat food will come in at 279,000 metric tons and MXN18.04 billion (US\$954.2 million). Within those numbers, the premium dog and cat food market will equal 109,300 metric tons in 2016, nearly MXN13 billion (US\$687.8 million), according to Triplethree.

Euromonitor expects to see continued growth in 2016, carrying on the trend started in 2015. According to the company's data, provisional estimates indicate 8 percent growth in current value terms and 5 percent growth in volume. As far as the continued effects of the VAT implemented in 2014 are concerned, Euromonitor expects to see a continued impact on prices that will be absorbed by consumers, who will in turn become more price-sensitive. It will be difficult, according to the industry, for value growth to return to double-digit rates seen prior to 2014, but continued positive growth is expected.

Looking further ahead at the pet products segment, sales are estimated to grow by a 4 percent value compound annual growth rate (CAGR) at constant 2016 prices with sales expected to reach MXN1.5 million (US\$79,359) in 2021, according to Euromonitor. Over the forecast period, other pet products will record the fastest growth, posting a 6 percent value CAGR at constant 2015 prices, driven by the increasing trend towards pet humanization. Pet owners in Mexico, following the well-established trend of more developed markets, increasingly see their pets as replacement children, thus driving up the amount spent on pampering.

Overall, it's clear that between continued market recovery and the opportunities afforded by developments in pet owner purchasing trends, Mexico is a segment worth watching for companies looking to invest in some of the more developing global pet markets. Perhaps, the top two companies holding significant pet food market share in Mexico are Nestlé and Mars, two of the largest and most diverse companies in the world. Malta Cleyton, a subsidiary of InVivo based in Mexico City, comes in at a distant third in market share.

## PET OWNERSHIP TRENDS IN MEXICO

But why the high premium numbers in a developing market? According to Euromonitor International, less than 40 percent of dogs in Mexico eat commercial pet food. But much of that 40 percent can likely be found in Mexico's cities, where pet owners have solid disposable incomes and the desire to use at least some of those incomes on their pets. In addition, "pet products" continues to be a fragmented category, according to Euromonitor data, encompassing a wide variety of products and accessories produced domestically and internationally. As it's difficult to define a leading market player amidst such fragmentation, brand loyalty is less of a factor, driving consumers to channel loyalty, instead — and that channel happens to be specialty retailers, the main distribution channel in Mexico.

Of the 25 million dogs and cats in Mexico, 18 million live as pets in households; the rest are strays, according to Franco. Seventy-four percent of pets owned are dogs, with cats making up 26 percent of pet ownership.

Because those pets are more likely to live in urban areas, with owners who gravitate towards the premium and superpremium markets, a lot can be inferred about the households' relationships with pet food purchasing, according to Franco. The owners are more involved and knowledgeable about what they want in their pet foods, and are more "participative shoppers," said Franco. They're seeking the "next generation of pet food" and focusing on health and nutrition, particularly protein and vitamin content.

## 2016 AND FUTURE MEXICO PET FOOD MARKET GROWTH

According to Triplethree data, Mexico's dog and cat food market will reach 1.15 million metric tons and MXN61.9 billion (US\$3.28 billion) in 2016, showing continued significant growth. Dog food will make up 873,300 tons and MXN43.86 billion



## INSIDE CHINA'S RAPIDLY GROWING PET FOOD MARKET

By Lindsay Beaton

Published September 6, 2016

*China's pet food market is continuing to develop, opening opportunities for companies looking to expand.*

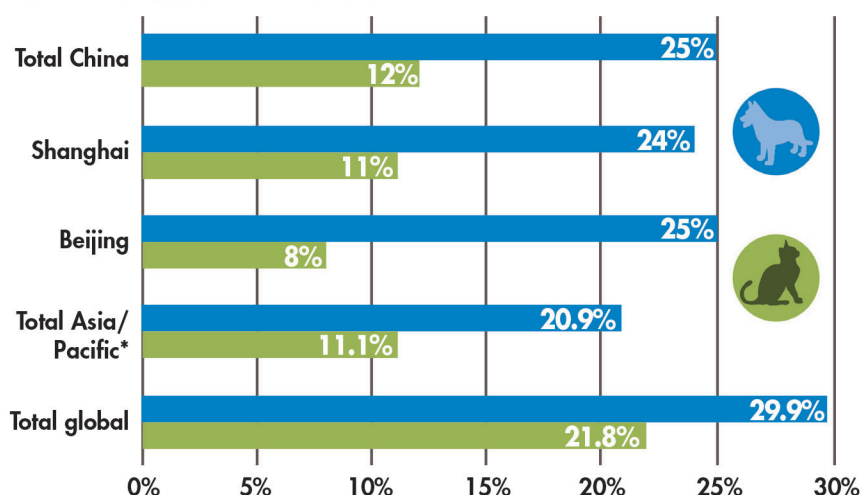


China's pet food market is drawing more manufacturer eyes than ever. With the country's growing middle class and the resulting increased disposable income driving opportunities, domestic and international companies alike are beginning to watch and move into the developing segment of global pet food sales.

### CHINA'S CURRENT PET FOOD LANDSCAPE

China's pet ownership outpaces Asia-Pacific numbers, as 25% of the population owns dogs and 12% of the population owns cats (compared to Asia-Pacific: 20.9% of the total population owns dogs and 11.1% owns cats). Shanghai and Beijing, China's two largest cities, carry a lot of that ownership, with 24% and 11% of Shanghai residents owning dogs and cats, respectively, and 25% and 8% of Beijing residents doing the same (see Figure 1). As 29.9% of the total global population owns dogs and 21.8% owns cats, China's growth has put it on track to become an increasingly significant force in the global pet market.

### PET OWNERSHIP IN CHINA



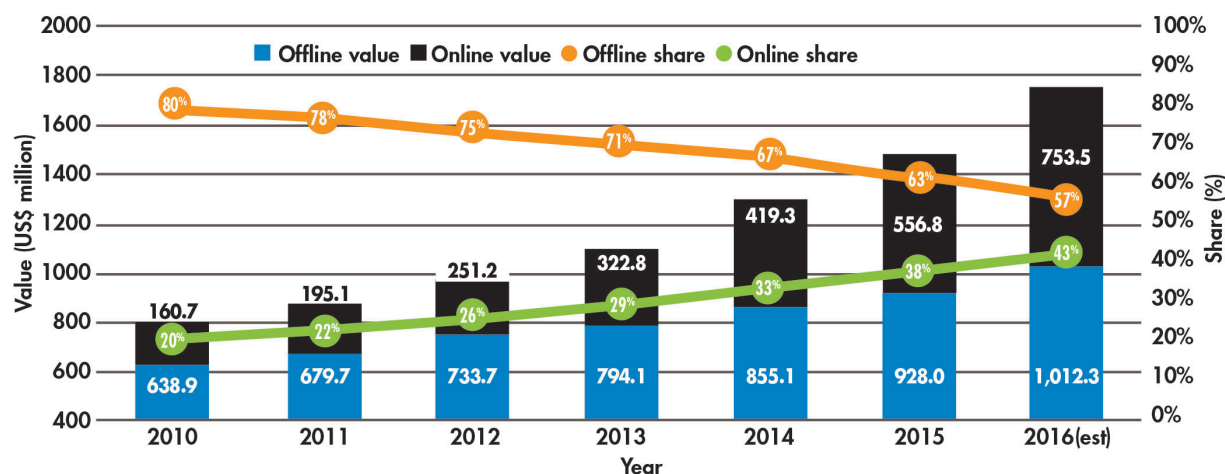
\* Excludes Hong Kong and Taiwan.

Source: GfK Roper Reports Worldwide 2014, via "Finding your opportunities in the Chinese pet food & treats market," Petfood Forum China 2016

The primary reason for these numbers is economical: Disposable income in urban China households has gone up each year since 2010, and continues to increase. This means more people are looking to pets as companions, and those people are willing and able to spend more on their dogs and cats than ever before.

**Figure 1. China's pet ownership still falls below the global percentage, but comes out above Asia-Pacific numbers. Shanghai and Beijing, China's two largest cities and hubs of the country's urban pet ownership growth, make up a significant portion of the country's total ownership.**

## TOTAL CHINA PET FOOD RETAIL MARKET SIZE 2010-2016 (EST.)



Source: GfK POS measurement and GfK estimate, via "Finding your opportunities in the Chinese pet food & treats market," Petfood Forum China 2016.

**Figure 2. As China's pet food market develops, its online pet food purchasing is outstripping other countries' markets significantly. Online market share of pet food purchasing is slated to continue increasing as consumers look for more varied options and begin following the trends of more mature markets.**

Their money is being spent both in person and online, but China consumers' online pet food market presence is far stronger than in more developed markets—38% of the country's pet food is purchased online, according to Fung Global Retail & Technology data, compared to just 9.4% in the United Kingdom (total pet products, including pet food) and 7% in the US (total pet care sales, including pet food). E-commerce's global share of the entire pet care market is smaller still, at 5.3%. And as the current pet food market for China comes in at around US\$1.76 billion, with double-digit annual growth, online purchasing's share of the pet food market continues to increase (see Figure 2).

## DOGS VERSUS CATS

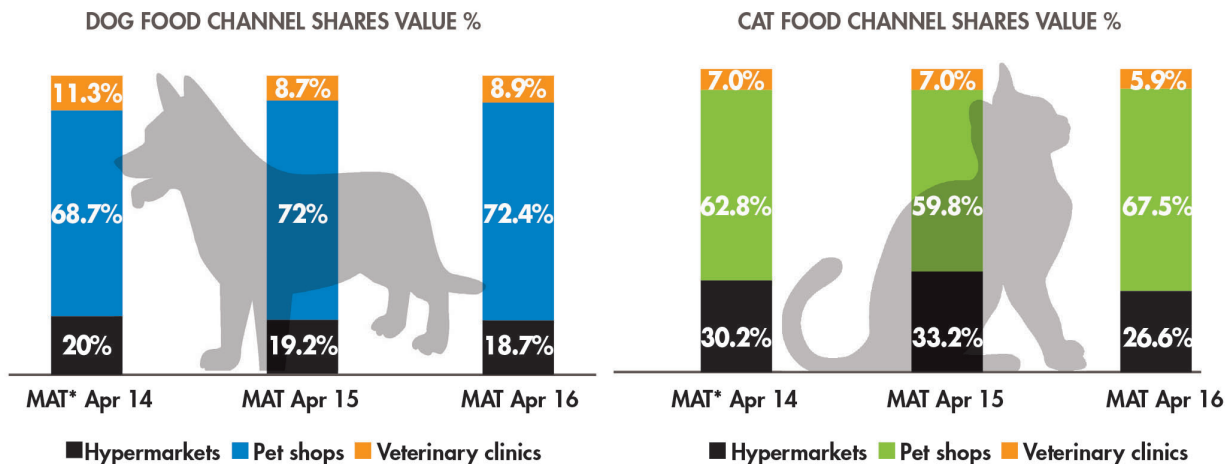
The three primary channels for purchasing pet food domestically in China are hypermarkets (large, warehouse-style supermarkets with a unified collection area), pet shops and veterinary clinics. For both dog food and cat food, pet shops reign supreme, and continue to grow in dominance as China's consumers increase their desire for diverse options. In April 2014, for example, pet shops held 62.8% of the channel shares for cat food and 68.7% for dog food, according to GfK data gathered on Beijing and Shanghai (see Figure 3). In comparison, hypermarkets held 30.2% of cat food channel shares and 20% of dog food channel shares. By April 2016, the percentages of pet shop shares increased to 67.5% (cat food) and 72.4% (dog food), while hypermarket shares dropped in both categories. Veterinary clinic shares have also decreased in the last couple of years, likely as more options are made available in pet shops for consumers to provide their pets with healthier, more specialized formulas without the aid of a veterinarian.

Unsurprisingly, as in other markets, dry pet food makes up the majority of China's pet food sales. According to GfK data focusing on Beijing and Shanghai, 78.6% of cat food (by sales value) sold is dry across all market channels—the veterinary channel sells the largest percentage of dry cat food (86.3%), while hypermarkets sell the smallest percentage (69.4%). Hypermarkets sell the largest percentage of its cat food as wet (30.3%), while 12% of veterinary clinic cat food sold is wet. Dog food has a slightly different make up, according to GfK, although it skews even more towards dry: 82.4% of dog food sold is dry across all market channels, with the veterinary channel selling 76.5% of its food (the highest percentage) as dry and pet shops selling 74.9% of its food (the lowest percentage) as dry. Alternately, pet shops sell 16.3% of their dog food as wet, the highest of the channels, while hypermarkets and veterinary channels sell 14.9% and 14.8% of their food, respectively, as wet.

In general, international pet food brands dominate China's cat food market, with an 80% market share, but the domestic brands are driving growth as their options increase and their prices remain more competitive. Dog food shows a more even split between international and domestic brands, with hypermarkets dominated by international brands but pet shops carrying plenty of domestic brands alongside their imported counterparts.



## DOG FOOD VS. CAT FOOD CHINA OFFLINE CHANNEL SHARES

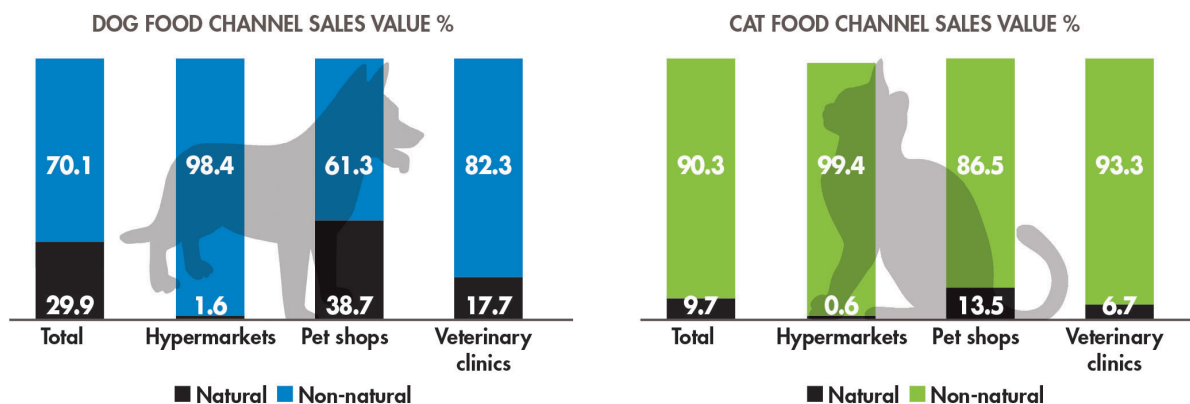


\*MAT = moving annual total

Source: GfK POS measurement, Beijing + Shanghai MAT April 2016 vs. April 2015, via "Finding your opportunities in the Chinese pet food & treats market," Petfood Forum China 2016

**Figure 3. Pet shops continue to gain market share in China over both hypermarkets and veterinary sales, combining international options with domestic brands for maximum variety.**

## CHINA NATURAL PET FOOD CHANNEL SALES VALUES



Source: GfK POS measurement, Beijing + Shanghai MAT April 2016 vs. April 2015, via "Finding your opportunities in the Chinese pet food & treats market," Petfood Forum China 2016

**Figure 4. With a more developed market comes the adaptation of more specialized trends. The natural pet food market in China is small but growing, and is expected to continue that growth.**

## DIVERSIFIED OPTIONS IN A DEVELOPING MARKET

As more pet food formulas hit the Chinese market, flavor trends are beginning to emerge. While chicken is the dominating flavor in several categories (cat and dog dry food, cat treats), beef is also driving growth in both cat and dog food categories (and particularly in wet dog food).

Natural and grain-free trends have hit China's market, and while they're smaller segments of the available pet food options, they are growing. Overall, natural pet food makes up 24% of the market, according to GfK, growing at 55% year-over-year. As might be expected, pet shops have the largest share of the natural market for both cat and dog food—13.5% of cat food and 38.7% of dog food sold in pet shops fall into the category (see Figure 4).

Pet shops are also driving the much smaller grain-free segment, with 3.4% of cat food sold and 5.1% of dog food sold falling into the category. And while grain free only makes up 4% of the total pet food market, the segment is growing at 168% year-over-year.

## CHINA'S FUTURE IN THE PET FOOD INDUSTRY

China's growth of the last several years is slated to continue. It's one of the fastest-growing developing markets in the pet food industry, and companies looking to expand internationally are turning their eyes towards the potential of the country's growing urban pet ownership demographic.

## SOUTH KOREAN PET FOOD BRANDS FIGHTING FOREIGN COMPETITION

By Anna Girgenti

Published October 16, 2017

*Foreign brands continue to hold majority shares of the South Korean pet food market.*



**A rise in pet ownership and a shift in consumer preferences has opened doors for domestic pet food brands in South Korea to compete with major foreign importers**

*Photo by Karakoram | Dreamstime*

Income growth and popularity in pet ownership, especially dogs, have increased demand for pet food in South Korea, according to a US Department of Agriculture (USDA) Foreign Agricultural Service (FAS) report released in 2016. The report shows that foreign companies are dominating the market, as 60 percent of all pet food consumed is imported and 40 percent is domestically produced.

In 2015, South Korea imported US\$148 million worth of pet food, an 11 percent increase from US\$133 million in 2014. Respectively, imports from the US increased 17 percent to US\$39.9 million from US\$34 million (see Figure 1).

### FOREIGN BRANDS EXPORTING TO SOUTH KOREA

According to a Euromonitor International report on dog food in South Korea released in May 2017, US-based Royal Canin Korea held the highest percent value share of any foreign brand during 2016 at 15 percent. A Euromonitor report on cat food in South Korea found that Royal Canin Korea also dominated 2016 cat food sales with a 24 percent value share that year. Wet cat food performed particularly well that year, leading to a 17 percent increase in value sales for the company.

After Royal Canin Korea, Lotte Nestlé Korea held the second-largest value share at 11.5 percent, and Mars Korea Inc. came in third at 10.6 percent.

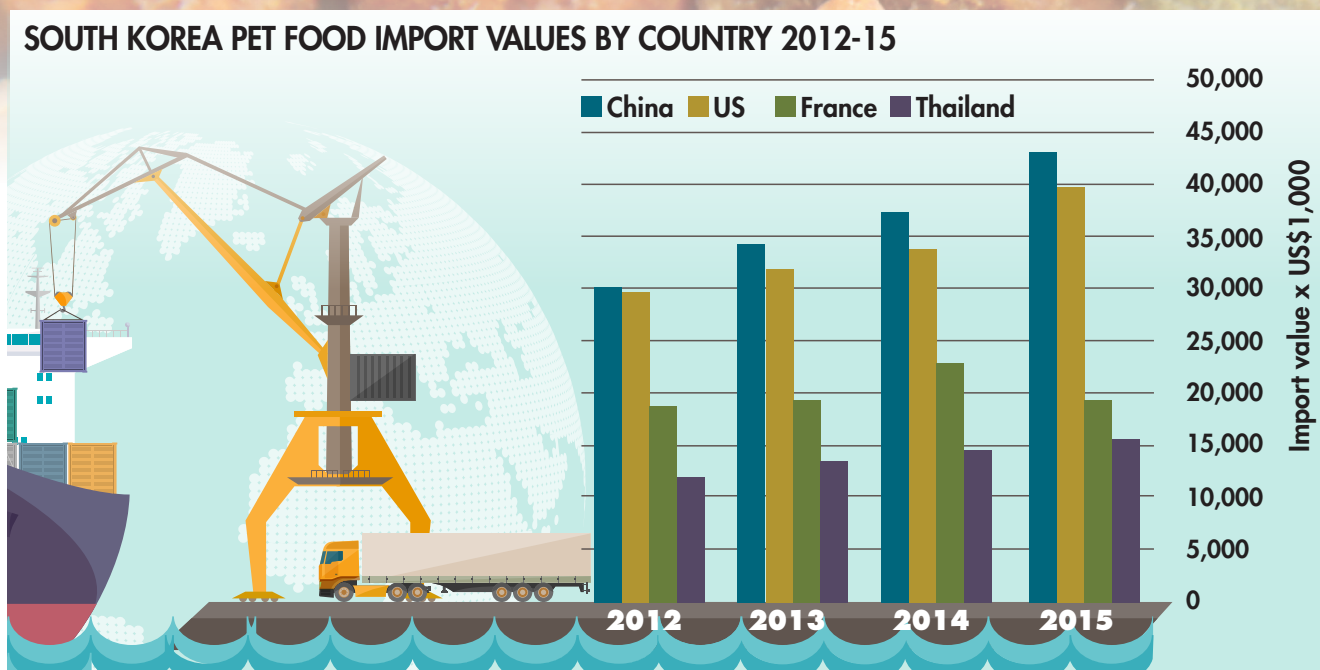
As South Korean pets eat more healthily and have access to adequate veterinary care, they are living longer, and the senior pet population is increasing. Thus, there is high potential for senior-specific pet food, including potential for wet dog food, which is mainly sold at premium prices by dominant foreign brands such as Cesar Senior and MM Dogs.

### DOMESTIC BRANDS EXPAND THEIR PRESENCE

Pet food market trends in South Korea continue to show that consumers prefer foreign products, but South Korean distributors, specifically large food companies, are making efforts to steer consumers toward domestic brands.

A report from Euromonitor International analyzing pet care trends in South Korea shows that leading domestic pet food manufacturers continued to perform well with economy brands in 2016. Domestic brands have typically focused more on dogs and cats in rural areas, whose owners tend to prefer economy dry food. However, a new trend in premium pet food has also emerged as more domestic players are producing superpremium human-quality pet food.





Source: US Department of Agriculture (USDA) Foreign Agricultural Service (FAS) Global Agricultural Information Network report, Pet Food Market Update November 2016

**FIGURE 1: From 2012 through 2015, China consistently held the largest market share of South Korean pet food imports, followed by the US, France, Thailand and other countries.**

theromb, Fotolia.com

For example, CJ Cheiljedang, a subsidiary of CJ Group in the human food and pharmaceutical sectors, has introduced two new premium pet food brands, O'Nature and O'Fresh. Both brands are marketed as designed with local ingredients, and O'Nature was launched as the company's representative premium-level brand, according to the USDA FAS report.

Pulmuone, another leading company in fresh packaged food for humans in South Korea, sells its products domestically and internationally. The company launched its dog food brand Amio in 2014. Like CJ Cheiljedang pet food, Amio is advertised as a product made from fresh, local ingredients. Another domestic company, Korea Ginseng Corp., is marketing a dog food made from organic foodstuffs in an effort to appeal to dog owners seeking premium products in urban areas.

In 2011, E-Mart Co Ltd., South Korea's largest retail chain, launched its Molly's Pet Shop specialty outlets. E-Mart also recently launched Molly's Science and Molly's Pro Balance, which is exclusively distributed via Molly's Pet Shop outlets. For domestic brands like Molly's, tapping into the right distribution channel for certain products may be a key factor in competing with foreign brands. As of 2015, grocery stores and internet retailing are the most common pet food distribution channels (see Figure 2).

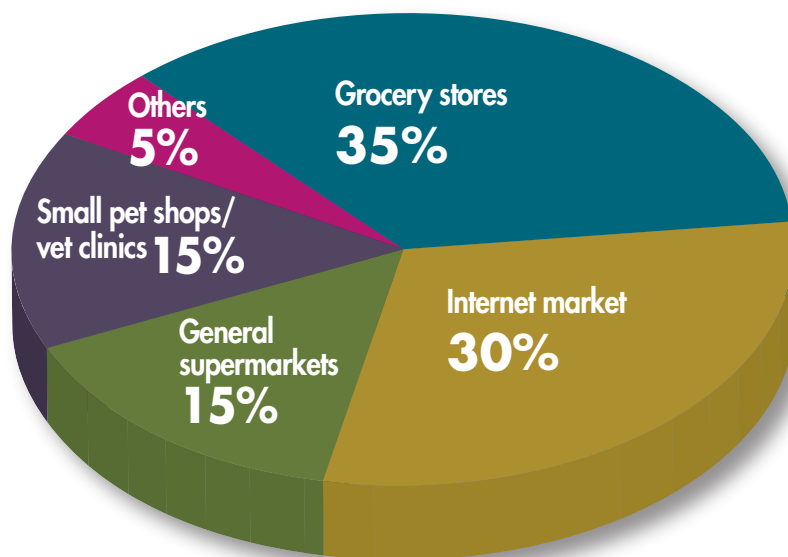
The Euromonitor South Korea pet care report shows that e-commerce has increased as more online retailers distribute premium brands alongside economy and mid-priced brands. The internet market has a price advantage over pet shops and veterinary clinics, and consumers are drawn to online retailing when buying premium brands, because premium products are often priced higher in-store.

## THE FUTURE OF THE SOUTH KOREAN PET FOOD INDUSTRY

As the quality of domestic brands has improved, consumer preference has recently shifted slightly toward domestic brands, according to the USDA report. The report also shows that per capita income in South Korea reached US\$27,340 in 2015 compared with US\$24,696 in 2012. As South Korea's per capita income continues to grow, the report predicts that the demand for premium and superpremium products may increase.

However, both Euromonitor reports on cat food and dog food in South Korea predict an increase in value and volume sales of economy dry food as well. All categories in dog food are expected to record growth in sales, as the dog population is predicted to increase over the forecast period to 2022. The report predicts that economy dry dog food will show the highest value compound annual growth rate (CAGR)

## PET FOOD DISTRIBUTION CHANNELS IN SOUTH KOREA



**FIGURE 2:** Foreign importers and manufacturers distribute pet food mainly via grocery stores and e-commerce, while small pet shops/vet clinics and other channels are reserved for premium products.

*Source: US Department of Agriculture (USDA) Foreign Agricultural Service (FAS) Global Agricultural Information Network report, Pet Food Market Update November 2016*

and that economy dry cat food will see a value CAGR of 15 percent at constant 2016 prices. Premium pet food is typically more popular among urban consumers, but volume sales of economy pet food for dogs in rural areas are set to continue increasing.

The growth of economy dry food may be linked to South Korea's stray cat and dog population in an environment increasingly concerned with the protection of animals. In particular, South Koreans who feed stray cats are more likely to buy economy dry cat food than premium cat food.

As polarization between economy and premium pet food strengthens in South Korea, the pet food market is experiencing tremendous overall growth. The market's growth is only expected to continue as household incomes rise. An increase in e-commerce and a shift in consumer preference for locally sourced, high-quality pet food have set the stage for domestic pet food companies to compete with previously dominant foreign brands.

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Anna Girgenti is an editorial staff writer for Petfood Industry.



## PHILIPPINE PET FOOD INDUSTRY BANKING ON COST, CONVENIENCE

By Alma Buelva

Published November 6, 2017

*With disposable income increasing, more Filipino pet owners are looking to commercial pet foods for their dogs and cats.*



Photographer: khunaspix.Fotolia.com

Consumption of pet food in the Philippines is at an all-time high, thanks to an increasing number of pet owners with higher appreciation and willingness to spend more for modern pet diets.

Research firm Euromonitor International estimates that 13.6 million dogs and 1.8 million cats comprised the “universe of pets” in the Philippines from September 2015 to August 2016. As these numbers steadily increase, pet food companies big and small expect their sales to grow in 2017.

To accommodate the market’s price sensitivity, pet food suppliers offer inexpensive local and imported brands that retail by the kilogram or less. Doing so opened the market to more pet owners from the budget class that are steadily switching from rice to kibble.

The Philippines is the sixth-biggest rice consumer in the world and, by extension, pets here eat rice mixed with cooked protein. As of August 2017, a kilogram of well-milled rice cost only US\$0.82. Add meat and a kilo of dog’s rice meal becomes more expensive than the cheapest kilogram of a locally manufactured adult dog food, at US\$1.00, or the most affordable imported cat food, at US\$1.81. With lower costs and more convenience, commercial pet food is winning converts, especially among young pet owners.

Recent data from the Philippine Statistics Office also help illustrate a decline in the amount of rice each Filipino household feeds to their pets annually. For 2017, the agency projects that an average household will consume 11.26 kilograms of rice, either leftover or purposely cooked for pets. In 2016 and 2010, the average rice consumption of pets per household were 16.63 kilograms and 18.42 kilograms, respectively.

### AN EMERGING PET FOOD MARKET WITH HIGH GROWTH POTENTIAL

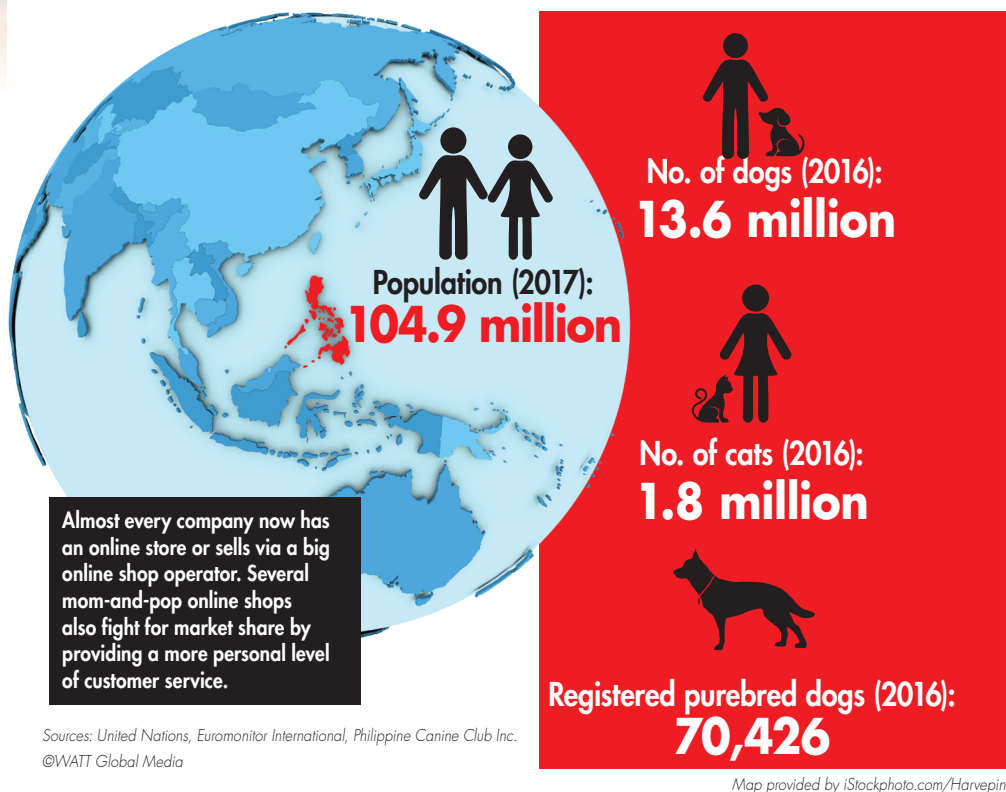
Euromonitor considers the Philippines an emerging market for pet food that will register at least 10 percent growth in 2017. But they also noted a highly cost-conscious market looking for economical yet quality dry food.

In terms of monthly budget, a household with at least two pets generally allots up to US\$59 for pet food alone, a November 2016 survey by the online magazine MetroPets showed.

Pet owners also prefer to buy pet food made in the US or European Union countries.

The US has been a dominant exporter of pet food to the Philippines since 2012, with a 61 percent market share based on information from

## THE PHILIPPINES: A GROWING PET FOOD MARKET



the US Department of Agriculture (USDA). It estimates US pet food exports to the Philippines at US\$36.6 million in 2017 and US\$40 million in 2018. The report also said most Filipino pet owners are thrifty, so they buy the cheaper varieties of pet food.

Purina Philippines, which targets premium and superpremium pet food buyers, said the market is bigger at the bottom, dominated by brands that sell kibble for US\$2 or less a kilogram. However, Purina said it believes more Filipinos are now willing to spend a little more for premium pet food that meets their pets' average nutritional requirements.

In MetroPets' survey, US brands Pedigree, Royal Canin, Alpo, Holistic and Beef Pro are the most saleable, along with Vitality from Australia and Monge's Special Dog from Italy. All fall under the premium to superpremium categories, but pet shops also sell Beef Pro and Special Dog for US\$1.82 and US\$1.85 a kilogram, respectively, to tap the mass market.

Acana and other ultra-premium brands like Orijen and Science Diet definitely have their work cut out for them. For the budget-conscious, a 10-kilogram bag of Special Dog for US\$16.70 versus an 11.4-kilogram bag of Acana for around US\$59 is hard to beat.

Mars Philippines, on the other hand, seems to have found the market's sweet spot by offering a wide range of dry and wet pet food at different price points for pet owners from various income groups. Euromonitor expects the local office of Mars Petcare to keep its market leadership in 2017.

### DRY PET FOOD WINNING FOR DOGS IN THE PHILIPPINES

The Philippines has more pet dogs than cats, so the market is clearly dog-oriented and one that prefers dry food over wet food, pet shop owners said.

A November 2012 report from the Atlantic.com cited the Philippines as the "dog capital of East Asia," with one pet dog for every eight people.

The Philippine Canine Club Inc., a local registry for purebred dogs with nearly 21,000 individual members, registered 70,426 purebred dogs in 2016. To date, it has registered almost 1.1 million purebred dogs in its studbook. Per club's record, the most popular purebred in



the Philippines is the Shih Tzu, followed by the Chihuahua and the Pomeranian.

Most market data, however, usually don't account for the biggest group of dogs in the Philippines — the native breed known as Aspins. Short for Asong Pinoy (Philippine Dog), Aspins are either family pets or strays. Most dogs in local shelters are Aspins.

Lately, pet shop owners said foreigners have taken a liking to the humble-looking but spunky Aspin, whose improving image as a family pet may one day trigger a bigger market boom for dry food.

As for wet food, store owners said many prefer to buy it only as a supplement for dry food to whet a dog's appetite, especially if it becomes sick.



**The Philippine pet food market is competing with the rice market, as rice is a traditionally inexpensive way to feed pets in the country. However, as pet owners see that it can be more cost effective to buy commercially prepared pet food versus mixing rice and a protein at home for their pets, pet food manufacturers are gaining ground.** Photo by Alma Buelva

## WET FOOD COMES OUT ON TOP FOR THE PHILIPPINES' CATS

Although dog food outsells cat food in the Philippines, ailurophiles here are more particular about quality than price. Pet shop owners said cat lovers tend to pamper their felines with "human-grade" wet food available in small cans or pouches. Those are expensive as treats, but cat owners reason that cats are only small eaters anyway. They are also opening their wallets for high-end dry cat food that promises more health benefits.

Euromonitor sees no significant change in the Philippine cat food market space in 2017. Mars Philippines is still poised to keep its 2016 lead with a value share of 48 percent. Mars' widely distributed Whiskas product, both wet and dry, dominates the mid-priced cat food market.

Monge's Special Cat, however, disrupted the local market for affordable dry cat food in 2016 by blasting competition from established US brands like Cuties Catz and Princess. Made specially for the Philippine market, Special Cat continues to be a highly sought product that sells for US\$13.67 for a 7-kilogram bag.

## A DIVERSE SEGMENT OF RETAIL CHANNELS

Supermarkets and groceries fill up their shelves with popular brands, usually from Mars and Purina, along with their own private label with lower price tags. The rest of the market players distribute through pet shops, veterinary clinics and pet cafes, or they sell directly to established breeders.

## Raw pet food in the Philippines

➡The search for affordable options with promising health benefits probably led many Filipino pet owners to try raw feeding. This is something that's gathering steam at the moment, especially among dog owners.

In social media, the biggest local group that promotes raw feeding for dogs now has 26,230 members. A similar group for cats has 2,700 members to date.

They advocate the whole prey method that entails feeding pets with uncooked meat, usually chicken, pork legs or offal. They use the pet's body weight to determine how many times and how much raw meat it needs to eat.

Raw feeding is also good business for enterprising pet lovers who pack and sell chopped-up meat, some with vegetables added. There are also veterinary clinics that promote raw feeding and sell ready-to-serve meat in plastic bags.

Is the Philippine market getting saturated? Some pet food companies think so, which could be true in metro Manila, the largest urban area surrounding the capital. With an estimated 12 million people, it is the center of everything, especially commerce and housing, and where most people with enough disposable income to take care of pets live.

But there are 11 other metropolitan areas all over the country of 7,641 islands, each with demand and opportunities just waiting for pet food companies to meet and exploit.

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**Alma Buelva is a journalist from the Philippines. When she's not writing about business and technology, she devotes her time taking care of animals and writing about them, too.**

## LATIN AMERICA'S PET FOOD MARKET HAS GROWTH POTENTIAL

By Lindsay Beaton

Published December 14, 2017

*This late-stage developing market has the region's top three companies focusing on premium and superpremium formulas as well as growth domestically and internationally.*



Erik Lam | Dreamstime

Latin America's pet food market possibilities are a mixed bag of late-stage developing market numbers, but the country has significant future potential as pet ownership and disposable income become more prevalent in the region. With a 6 percent compound annual growth rate (CAGR) for the pet food market between 2011 and 2016, according to a Euromonitor International global trends report presented at Global Pet Expo 2017, Latin America comes out on top in terms of developing regions to keep an eye on. In fact, according to Euromonitor, the area has the highest CAGR of all regions (Middle East/Africa comes in second, at 5 percent) when it comes to pet food, and the second-highest CAGR (7 percent, topped only by Australasia's 8 percent) for other pet products between 2011 and 2016 (see Figure 1).

The obvious answer to this growth is that something else is growing, too: Latin America's middle class. In 2006, the percentage of Mexico households with disposable income above US\$25,000 sat at roughly 55 percent, according to Euromonitor. By 2016, that number had grown to roughly 63 percent. Brazil, Argentina, Chile, Venezuela — each of these countries had less than 50 percent of their households reporting disposable income above US\$25,000 in 2006, but today at least half (and mostly more than half) of their households have extra money to spend.

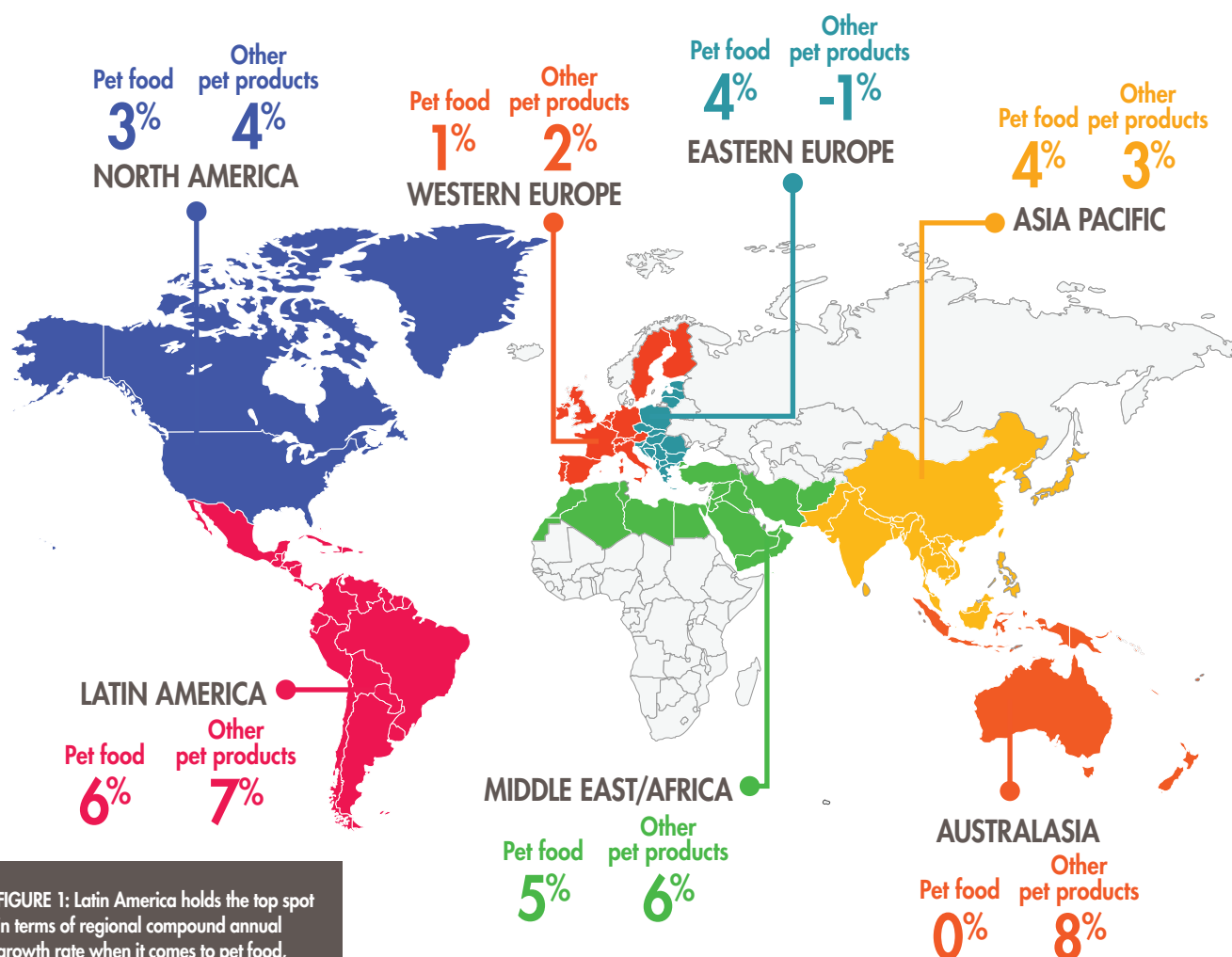
### THE POTENTIAL OF PET OWNERS IN LATIN AMERICA

Evidence from more developed markets, such as North America, would imply that those households want to spend at least some of that extra money on their pets. But while North America spent US\$131 per capita on pet care sales in 2016, Latin America spent only US\$16 per capita. So, where are the opportunities?

"Growing middle classes, the spread of certain diseases associated with dogs and cats as well as rapid urbanization are fueling the massive increase in size in both value and volume of the pet food market in Latin America," said Euromonitor in its April 2017 "Pet food in Latin America" report. The spread of diseases has served to educate pet owners on the importance of pet nutrition, leading to an increase in the demand for prescription diets and more premium pet foods. And, as pets are mainly kept by individuals and families living in urban areas, "rapid urbanization in Latin America due to migration from poorer rural areas is very good news for the pet food industry across the continent," said Euromonitor.



## PET FOOD/PRODUCTS CAGR BY REGION, 2011–16



**FIGURE 1:** Latin America holds the top spot in terms of regional compound annual growth rate when it comes to pet food, revealing promising opportunities in a previously developing region.

Source: Euromonitor International

Note: Constant USD, fixed 2016 exchange rates

Brazil is the third-largest pet food market in the world after the US and China, according to Euromonitor data, and future growth projections indicate that Brazil is forecast to maintain its position among the top 10 biggest markets through at least 2021. Mexico also ranks highly and is not far behind, but slightly more than two-thirds of all pet food sold in Latin America is sold in Brazil.

But Latin America is also a study in sharp contrasts when it comes to the pet food market. "There is an enormous difference in the volume of pet food being sold in the major economies of the region such as Brazil, Mexico and Argentina in comparison to the smaller ones such as Uruguay, the Dominican Republic and Bolivia," said Euromonitor. "The market in these countries is negligible and is remaining fairly constant."

### SPOTLIGHT: TOP PET FOOD COMPANIES IN LATIN AMERICA

#### #1 TOTAL ALIMENTOS SA

■ Revenue (2016): US\$181,876,537

■ Pet food markets served: Latin America, Asia Pacific, Eastern Europe, North America

■ Brands: Equilibrio Veterinary, Equilibrio, Max, Max Cat, Naturalis, K&S, Lider, Nero, Doglicious, Catlicious

Brazil-based Total Alimentos (a subsidiary of France-based Neovia) is focusing on new product lines and overall innovation to expand its presence in the international pet food markets as well as domestically.

In February 2017, the company relaunched its Max premium pet food brand, revamping the packaging “with a more modern look” and introducing two new dog food lines, Max Professional (free of dyes and artificial flavorings) and Max Soft Croc (featuring high palatability and soft and crispy textures), according to Total Alimentos. The relaunch also marked the company’s entry into the moist dog and cat food segment, bringing pâtés into the Total Food portfolio.

In March 2017, Total Alimentos participated in two shows in China in order to expand its presence in that country.

“The company’s participation in these events was mainly focused on the promotion of the superpremium Equilibrio and newly relaunched premium Max brands,” said Cláudio Dafferner, manager of Total Alimentos’ international business. “The events were directed to manufacturers of dog and cat food, and place Total Alimentos as a benchmark in quality and efficient and safe production processes.”

The Equilibrio brand includes a recently added grain-free line boasting a 95 percent high animal protein biological value and specialized carbohydrate sources such as cassava, according to the company.

In July 2017, Total Alimentos released its Pet To Go vending machines, designed to meet the demand for fast purchases by pet owners looking for convenience in their pet food purchasing. The machines carry the Balance product line, Doglicious and Catlicious snack lines, and Max pâtés. The company partnered with the pet-friendly Galleria Shopping Mall in Campinas, Brazil, in July 2017 and pet-friendly Shopping Prado Boulevard, also in Campinas, in August 2017.

“Installed in the elevator hall, the machine has an interactive system in which the customer selects which pet they own and if they want to buy food or snacks,” said Total Alimentos. “The products have compact sizes, precisely to bring ease to the customer who wants to take home or please their pet right there on the spot.”

Also in August 2017, Total Foods exhibited at Pet Seoul 2017, a show held in South Korea and directed at the Korean specialized market, including shopkeepers, pet shops and veterinarians.

“Participation in this fair presented and strengthened the presence of our company in the Korean market, which is a new space that we are seeking to enhance our presence in via exports, as well as throughout Asia,” said Dafferner.

## #2 EMPRESAS CAROZZI

■ Revenue (2016): US\$158,200,000

■ Pet food markets served: Latin America, Asia Pacific, North America

■ Brands: Master Cat, Master Dog, Mimaskot, Nutrican

Chile-based Empresas Carozzi first entered the pet food market with its acquisition of Nutripro in 2011, and has focused on expansion ever since; 2017 was no different.

In September 2017, the company opened a pet food plant in Peru, investing US\$24 million in expanding its production capacity in response to its growing influence in Peru and other Latin American countries.

“Our dream of going further became reality with the purchase of Mimaskot and Nutrican at the end of 2013,” said Gonzalo Bofill Velarde, president of Empresas Carozzi. “In these two great brands, very well positioned in the Peruvian market, we found an opportunity to undertake a category that empowered us and incorporated us into markets with great expectations of growth.”

Empresas Carozzi has also taken up the cause of sustainability, touching on a trend affecting all the developed pet food markets.

“We are committed to providing the best standards in all our products,” said the company on its website. “To achieve this, we have a Quality and Food Security Policy that covers all our plants and branches of the Chile, Peru and Agrozzi divisions.” The company has also focused on halal and kosher certifications, ensuring its ability to export to Middle East pet food markets.

Finally, as with other companies trying to make a connection with their customers in this day and age, Empresas Carozzi focused on consumer education in 2017. The company conducted tours for children through its pasta, cereals and cookies plants. The tours, which focused on food processing, aimed at educating consumers on nutrition and health.



## LATIN AMERICA TOP PET FOOD COMPANIES

Company	Revenue 2016 (US\$ millions)	Top Companies URL
Total Alimentos SA	181.88	<a href="http://goo.gl/9cvlTX">http://goo.gl/9cvlTX</a>
Empresas Carozzi	158.20	<a href="https://goo.gl/JXYhjL">https://goo.gl/JXYhjL</a>
Mogiana Alimentos SA	152.65	<a href="http://goo.gl/ndBGy4">http://goo.gl/ndBGy4</a>
NutriPro	100.00	<a href="http://goo.gl/2O5MKU">http://goo.gl/2O5MKU</a>
Grupo Pilar	95.76	<a href="http://goo.gl/Ndt4Eq">http://goo.gl/Ndt4Eq</a>
Malta Texo de Mexico	30.00	<a href="https://goo.gl/KkRZmb">https://goo.gl/KkRZmb</a>

Source: WATT Global Media's Top Petfood Companies database

**TABLE 1: The top six pet food companies in Latin America, according to WATT Global Media's Petfood Top Companies Database, brought a combined US\$718.48 million in revenue to the region in 2016.**

The company also implemented "Plan AM," a strategy promoting food and movement for a more balanced and healthier life. The plan has three components directed at students studying health and education, teachers and parents, and children.

### #3 MOGIANA ALIMENTOS SA

■ Revenue (2016): US\$152,645,000

■ Pet food markets served: Latin America, Asia Pacific, Eastern Europe, Western Europe

■ Brands: Guabi Natural, Heroi, TopCat, Cat Meal, Limpi Cat, GranPlus, Sabor & Vida, Faro, Biriba, Fiel

Brazil-based Mogiana Alimentos SA, operating as Guabi, has used its partnerships to expand its pet food presence.

Mogiana operates a joint venture with the Spanish firm Affinity Petcare (Agrolimen Group, Spain), which purchased a 50 percent stake in Mogiana in 2013, commencing a joint venture to operate Mogiana's two manufacturing plants in Campinas and Bastos, both in Sao Paulo, Brazil.

Mogiana has five primary brands: Ultima, GranPlus and Faro (Affinity brands), Natural (a Guabi brand) and Sabor & Vida. Each brand focuses on various aspects of the premium and superpremium pet food markets, including Ultima's focus on high-quality nutrition; GranPlus' formulas made for intestinal health, high palatability and shiny coats; Faro's premium focus on breed-specific formulas; Natural's ProtectLife system (combining antioxidants, vitamins, high-quality proteins and polyphenols); and Sabor & Vida's lifestage-specific formulas.

## DEMAND FOR PREMIUM PET FOOD IN CANADA FUELING GROWTH

By Anna Girenti

Published November 1, 2017

*Premiumization and pet humanization are driving the pet food market in Canada.*



Canada's pet food market is showing steady growth in the premium and superpremium segments, paving the way for companies who want to enter higher-end products into the market.

350jb | Dreamstime

Increased humanization of pets in Canada and the growth of premium brands have fueled pet food sales in 2017, according to two Euromonitor International reports on cat food and dog food in the country.

Large multinational brands, such as Nestlé Purina Pet Care Co. and Mars Canada Inc., continue to dominate Canada's pet food market. The two brands account for 60 percent of cat food value sales and 50 percent of dog food sales, according to the Euromonitor report. However, as pet owners seek more premium products, smaller domestic brands have an opportunity to increase their presence in the market with natural, organic and locally grown ingredients.

### OVERVIEW: CANADA'S PET FOOD MARKET

Canada's economy is in recovery after a recent recession, similar to the US economy, but Canada's pet food market has grown at a slow and steady pace since 2010, hovering at a 4 percent rate, according to a Canadian pet market outlook report from Packaged Facts.

"Differentiation and premiumization are the factors leading pet food sales in Canada," said Shirish Ghimire, market research associate at Dogsee Chew, an India-based premium dog treat company. "Even though the dog population is decreasing, the dog food market is increasing by value and quantity, with the dog treats section being the leader."

Packaged Facts reports that the Canadian pet population is getting older, which may lead to a rise in health-focused pet food products. The continued humanization of pets fuels the premium pet food market in Canada, as health-conscious consumers want human-grade food for their pets.

"The rise in pet anthropomorphism has led to the natural and organic wave," said Ghimire. "This trend will keep growing in the next few years as people become more health conscious for their pets."

### FOREIGN BRANDS SEE OPPORTUNITIES IN CANADA'S PET FOOD MARKET

Meanwhile, foreign brands have noticed a potential for expansion into the growing Canadian pet food market. Dogsee Chew is one company looking to break into the Canada market and compete with other premium brands.

"Since foreign brands are already leading the market, Dogsee can break into the Canadian market and compete," said Ghimire. "If the

## FORECAST RETAIL SALES OF DOG AND CAT FOOD IN CANADA (CAGR %)

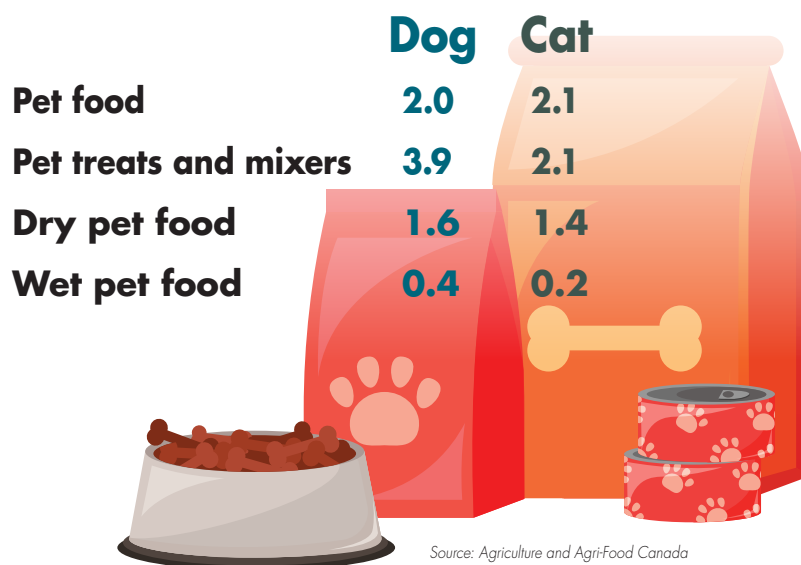


FIGURE 1: In dog and cat food categories, pet treats and mixers show a higher CAGR than dry and wet pet food.

Source: Agriculture and Agri-Food Canada  
Hanna Ferents | Dreamstime

available domestic brands are premium, consumers may prefer domestic brands ... However, that doesn't necessarily mean that consumers will go for domestic brands and boycott foreign premium products provided they are sold at reasonable prices."

Another attractive feature of the Canada market for Dogsee Chew is the rapid growth of dog treats sales. In a 2016–20 forecast, dog treats have a higher CAGR (compound annual growth rate; 3.9 percent) than any dog food category, according to a pet food sales report from Agriculture and Agri-Food Canada (see Figure 1). Cat treats follow the same trend with a CAGR of 2.1 percent for 2016–20, while dry and wet cat food fall below 2.1 percent.

Domestically, of course, there are some power players, too. Alberta, Canada-based Champion Petfoods is among the top 30 pet food companies in the world (with a revenue of US\$180 million in 2016, according to WATT Global Media's Top Pet Food Companies Database) and continues to expand its production capabilities while exporting to more than 70 countries worldwide. Ontario, Canada-based Elmira Pet Products leads the country's private-label industry for dry pet food manufacturing, according to the company, while serving the pet food markets of nearly every region of the world.

According to Ghimire, the leading sellers of dog treats in Canada are Whimzees, a Dutch brand, and Greenies, a US brand. Both brands favor the premiumization trend, marketing their treats as all natural and healthy. Canadian premium dog treat brands such as Snack 21 and Orijen are also increasing their presence in the market.

### THE FUTURE OF CANADA'S PET FOOD MARKET

As in the US and other markets, e-commerce is a fast-growing pet food distribution channel in Canada. According to Ghimire, e-commerce has increased competition by bringing big and small companies on the same platform.

In the third quarter of 2017, Amazon's sales in Canada's pet product sector were smaller than in France, the UK and Germany at CAD\$5 million. However, Canada's Amazon sales in pet products saw growth of 149 percent, led by health care items.

Overall, according to a Packaged Facts outlook report, the continued rise of premium and superpremium pet food products will drive sales in the Canadian pet market to US\$9.2 billion by 2019.

Packaged Facts anticipates a 2 percent CAGR for cat food in value terms at constant 2017 prices over 2016–22. Dog food sales are anticipated to see a 2 percent CAGR in volume terms and a 3 percent CAGR in value terms at constant 2017 prices over 2017–22. Larger international brands will be forced to produce more premium products in order to remain competitive in the growing market.



## AUSTRALASIA PET FOOD MARKET REFLECTS WESTERN TRENDS

By Anna Girgenti

Published February 7 2018

*Premiumization and pet humanization are slowly impacting the value growth in Australasia's pet food market.*



Nosnibor137, BigstockPhoto.com

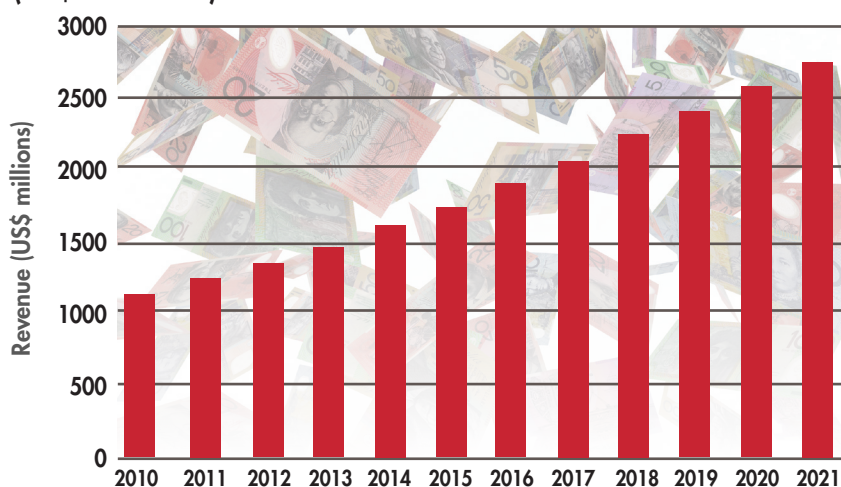
With general stagnation and a limited competitive landscape, Australasia's pet food market has managed to remain outside the global spotlight, but several recent trends in the region point toward potential changes in the market. Australasia's market trends may also be important reflectors of overall trends in the global pet food market, such as pet humanization.

Petfood Industry listed Australia as a stagnant or declining pet food market in 2017, predicting that "value-growth will come from upgrading consumers because volume-growth is stagnant or may even be declining a little in view of the growing population of smaller-sized dogs." In Australia, value growth has indeed increased while value growth declines, according to a Pet Food Outlook Report from Statista (see Figure 1). However, slight fluxes in Australasia's pet food market invite a more complex examination of the market's trends and prospects.

### WESTERN TRENDS IMPACTING AUSTRALASIA PET FOOD MARKET

New Zealand and Australia emerge as major players in the Australasia region, and both countries have witnessed steady value growth

### AUSTRALIA PET FOOD MARKET VALUE GROWTH, 2018-21 (US\$ MILLIONS)



Source: Statista, "Pet Food in Australia," 2018 market forecast

Figure 1: Total revenue (or value growth) should continue to rise in Australia into 2021.

alongside pet humanization and growing concern for pet health. "The importance of the Australian market can be understood in terms of the emerging western trends and lifestyle choices," according to an October 2017 report from Mordor Intelligence. The report examines the Australia pet food market and forecasts the 2017-22 period. The country's pet food market was valued at US\$1.49 billion in 2014 and is predicted to grow at a CAGR of 1.9 percent to mature into a US\$1.67 billion market (see Figure 2). According to the report, this makes Australia the second-largest market after Japan in the Asia-Pacific region.

Australasia's market remains in line with American and Western European trends of premiumization and pet

## AUSTRALIA'S PET FOOD MARKET, 2010-22 (% CAGR)

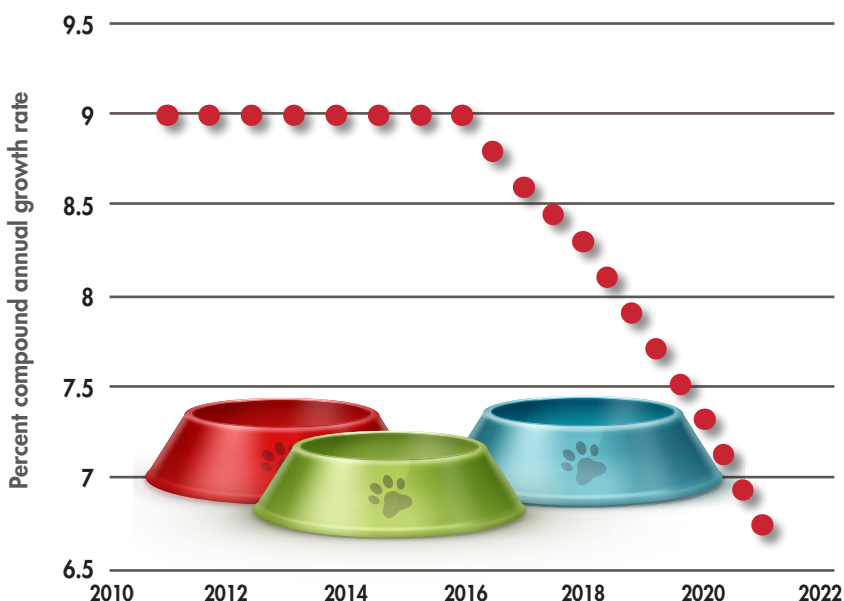


Figure 2: The percent CAGR (compound annual growth rate) of Australia's pet food market has been reducing since 2016, although pet food market revenue continues to rise.

Source: Statista, "Pet Food in Australia," 2018 market forecast

humanization, but these trends are emerging much more slowly in Australasia for several reasons. Most importantly, the Australian market's economy segment has remained stronger because of the country's growing middle class, which has generally supported the economic pricing segment, according to Mordor Intelligence. Supermarkets are the leading outlets for economy pet food, which is sold in bulk and dominated by larger brands, such as Mars and Nestlé Purina, making it more difficult for smaller, premium brands to penetrate the market.

Pet superstores in New Zealand, however, are making efforts to improve their distribution of smaller companies' products, according to a Euromonitor International report on pet products in New Zealand in May 2017. Slowly, smaller premium companies' products are making their way onto supermarket shelves and into the homes of more health-conscious owners of smaller and older pets.

## TOP PET FOOD COMPANIES IN AUSTRALASIA

### NO. 1: VIP PETFOODS

■ Revenue (2016): US\$3 million

■ Brands: Fussy Cat, Gourmet Fresh, Chunkers, Frosty Paws, Supreme Fresh, Natures Goodness, Gourmet, Mega Bite, Meat Lovers, Brownie

■ Pet food markets served: Western Europe, Asia Pacific, North America

The Australian Pet Food Market report from Mordor Intelligence lists VIP Petfoods as a major player in the Australia market alongside Nestlé Purina and Mars. After 10 years of steady growth, VIP labels itself one of the world's largest producers of fresh chilled pet food. As the demand for premium pet food products has gradually risen in Australia, VIP has expanded its product range to include premium wet and dry pet food for dogs and cats, as well as a range of premium pet treats.

VIP expanded into the US market when the company launched its products in HEB grocery stores in Texas, aided by Quadrant Private Equity, which acquired VIP Petfoods in 2015. VIP's acquisition of foreign brands has also contributed to the company's financial growth. VIP acquired UK-based dog food producer Billy + Margot in October 2016.

A Chinese agribusiness company, New Hope Group Co., along with other Asian investors, acquired VIP in November 2017. Since then, VIP has continued to expand, acquiring Consolidated Manufacturing Enterprises from its owners, Indigenous Business Australia and Ridley Agriproducts, in January 2017.

## AUSTRALIA'S PET FOOD MARKET, 2010-22 (% VOLUME GROWTH)

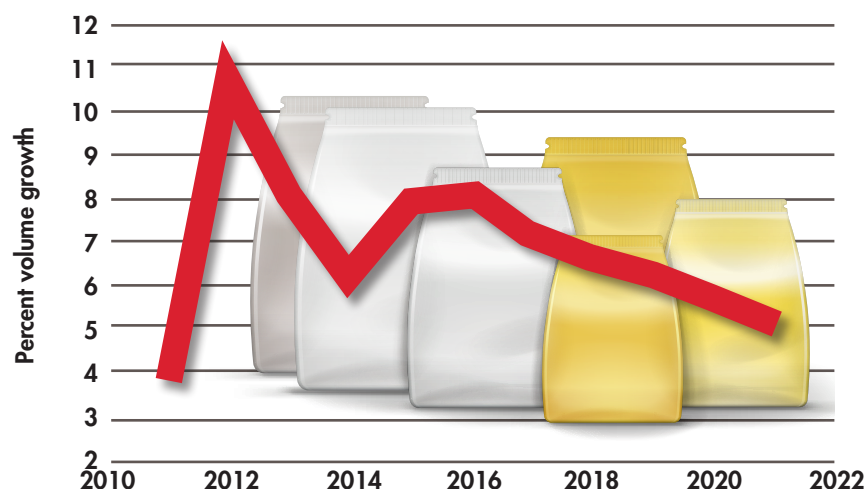


Figure 3: Percent volume growth of Australia's pet food market is decreasing due to changing market trends and consumer preference for premium products.

Source: Statista, "Pet Food in Australia," 2018 market forecast

### NO. 2: AUSTRALIAN PET BRANDS

■ Pet food markets served: Australia, Asia Pacific, Italy, Germany, Bahrain

Australian Pet Brands is a private-label subsidiary of VIP Petfoods. The company maintains six production plants across Australia and is a major supplier to the private-label pet food industry in the Australasia region. Although the company exports their pet food to European markets, its strength lies in its ability to access locally grown and fresh protein and grain products.

Consumer preferences in Australia have been shifting gradually toward premium and superpremium products. In response to this trend, Australian Pet Brands maintains "a long-term research and development program to deliver innovative premium and superpremium pet food products that ensure clients can create and maintain a competitive advantage in the market," according to the company's website. To remain competitive, the company is also focusing on investing in automated manufacturing products and processes that will deliver volume fulfillment on a variety of premium products, most importantly fresh chilled pet food.

### NO. 3: ZIWI PETS

■ Revenue (2016): US\$19.5 million

■ Brands: ZiwiPeak

■ Pet food markets served: Latin America, North America, Middle East, Western Europe, Eastern Europe, Asia Pacific, Africa

As a competitive player in the New Zealand pet food market, the ZiwiPeak brand has utilized its locally sourced products to penetrate the global market. The company now sells its products in more than 25 countries, but all Ziwi's meat and seafood products are sourced and manufactured in New Zealand. The company's focus is air-dried raw pet food, wet pet food and treats for dogs and cats.

A Euromonitor International report on pet products in New Zealand released in May 2017 predicted that New Zealand's total pet population would decline slightly in 2017, but the report also predicted that all pet products would continue to develop positively due to the continued pet humanization trend. This trend has prompted companies such as Ziwi to upgrade their premium products for an aging pet population and increasingly health-conscious pet owners.

### NO. 4: K9 NATURAL FOODS

■ Revenue (2016): US\$17.5 million

■ Brands: K9Natural, FelineNatural

■ Pet food markets served: North America, Western Europe, Asia Pacific



As value growth exceeds volume growth in Australasia, one premium product trend has risen to the top: dog and cat food mixers products, also known as “toppers” or “sprinkles.” K9 Natural Foods was one of the top two brands in the dog food mixers category in 2016. These toppers are freeze-dried and marketed not only as nutritional supplements but also as a way of enticing picky eaters, and they are a “prominent beneficiaries of the pet humanization trend,” according to a Dog Food in New Zealand report from Euromonitor International in May 2017. The report also forecasted that the “toppers” and premiumization trends would continue in the coming years, as New Zealanders favor smaller breeds of dogs, and the overall pet population is aging.

## GROWTH OF DOMESTIC BRANDS IN AUSTRALASIA

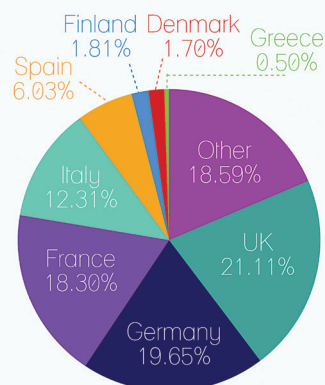
Although major foreign brands continue to dominate the Australasia pet food market, domestic pet food companies are growing. In 2016, Mars was the leading brand of dog food in New Zealand with an overall value share of 20 percent, though its share was down slightly from 2015, according to Euromonitor International’s Dog Food in New Zealand report. Domestic companies in this region, such as VIP Petfoods, may find their competitive niche in the premium market, as some are better positioned to locally source their products.

The pet humanization and premiumization trend in Australasia may point to a rise in domestic brands. According to Euromonitor International, value growth of pet food in Australia and New Zealand will continue to grow, while volume terms gradually decline (see Figure 3).

## Top 5 west, east European pet food markets

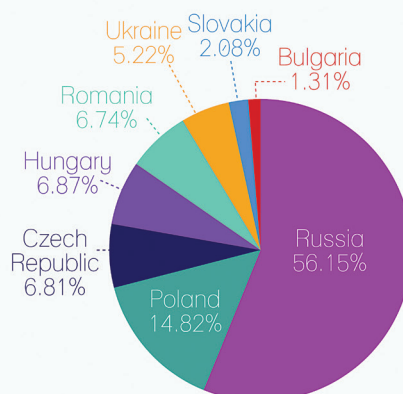
With Western Europe maturing, there are nevertheless ample pet food market share opportunities as pet owner populations continue to grow and Eastern Europe shows expansion of its own.

### Western Europe: Shares of Pet Care Retail Sales (2017)



Western Europe's total pet care sales in 2017 were US\$28 billion.

### Eastern Europe: Shares of Pet Care Retail Sales (2017)



Eastern Europe's total pet care sales in 2017 were US\$5.43 billion.

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SOURCE: Euromonitor International, via Petfood Forum Europe 2017

## BRAZIL PET FOOD MARKET BEAT UK, MEXICO OVERTOOK CANADA

By Tim Wall

Published January 31, 2018

*Brazil is now the second largest pet food market in the world.*



Garosha | BigStockPhoto

Between 2012 and 2017, while worldwide pet food sales reached new heights, several developing nations supplanted established pet food powerhouses in terms of annual sales. For example, since 2012, Brazil rose to replace the United Kingdom as the second largest pet food market globally, up from number six. Jared Koerten, senior food analyst at Euromonitor International, presented data to back up those assertions about the dynamic global pet food market during his presentation at the International Processing and Production Expo in Atlanta, Georgia, USA on January 30, 2018.

Pet care sales reached a global total of US\$110 billion in 2017, according to Euromonitor figures. The pet care industry's compound annual growth rate (CAGR) hit five percent between 2012 and 2017, with an incremental growth of US\$2.2 billion over those five years.

"We see a lot of emerging markets really jump off the page," he said. "Looking at markets like Brazil, Russia, Mexico and China, which continue to post really strong growth, there is an emerging middle class there. They are really becoming pet owners and driving strong growth this growth in those markets. This growth in these Emerging Markets has created sort of a new group of leaders."

The United States remained Earth's pet food sales alpha wolf in 2017, but other nations have shifted ranks in the pack. Right next door, the US now has a new top pet food market neighbor, he said. Mexico's pet food sales overtook Canada's between 2012 and 2017. The Mexican pet food market now ranks tenth with Canada in eleventh place.

### BRAZIL RISES TO SECOND LARGEST PET FOOD MARKET

In Brazil, Koerten said, unlike in the US where pet food companies wage marketing wars to establish their premium or superpremium position and thereby drive sales value growth, the economy pet food segment sees strong competition in Brazil that helps drive the market.

For example, Purina relaunched an economy dog food line, Bonzo, in Brazil. Purina nixed that line several years ago, but huge competition in the economy pet food segment incentivized Bonzo's revival, he said.

"A lot of these are emerging middle class consumers," he said. "They might be becoming first time pet owners. They don't have the income necessarily to trade up to superpremium or very premium foods. So, they're just looking for something to give good nutrition to their animal."

### RUSSIA AND CHINA ALSO RISING IN PET FOOD SALES RANKINGS

Formerly in ninth place, Russia moved up to become the seventh largest pet food market. Koerten noted that in Russia, Purina introduced Moya Sobaka, a kibble+ formulation. This style of dual texture pet food is similar to a trend in the US and was marketed to smaller dogs, also like in the US.

"Then of course China, which has grown up very quickly and is moving up the ranks very rapidly," Koerten said.

China now ranks as the twelfth largest pet food market. In 2012, the Middle Kingdom was ranked 19th.

Despite all these gains by other nations, the United States was by far the largest pet food market in 2017, as it was in 2012. In 2017, the US accounted for almost 42 percent of the total global amount spent on pet care, according to Euromonitor data.

"You'd be hard pressed to find any other industry where the US has that big of a share of total global sales," he said.

## 5 nations ranked by Amazon pet product sales

Amazon.com's pet product sales in the US, UK, Germany, Canada and France during the third quarter of 2017 were analyzed by One Click Retail in "Consumables on Amazon: Q3 2017 Update."

### 1. United States

US\$430 million

↑ 28%



### 2. United Kingdom

US\$52.6 million

↑ 30%



### 3. Germany

US\$40.8 million

↑ 200%



### 4. France

US\$11.6 million

↑ 31%



### 5. Canada

US\$3.94 million

↑ 149%



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Source: One Click Retail in "Consumables on Amazon: Q3 2017 Update."



**Petfood**Industry

# Trends impacting global pet food manufacturing



## PET FOOD TRENDS UPDATE: FREEZE-DRIED, CONSUMER BEHAVIORS

By Lindsay Beaton

Published June 8, 2016

*At the beginning of 2016, pet food industry experts predicted what was in store for the year. Now, a little more than halfway through, we take a look at how those predictions are shaking out.*



Halfway through 2016, we take a look at the industry's predictions for pet food industry trends.

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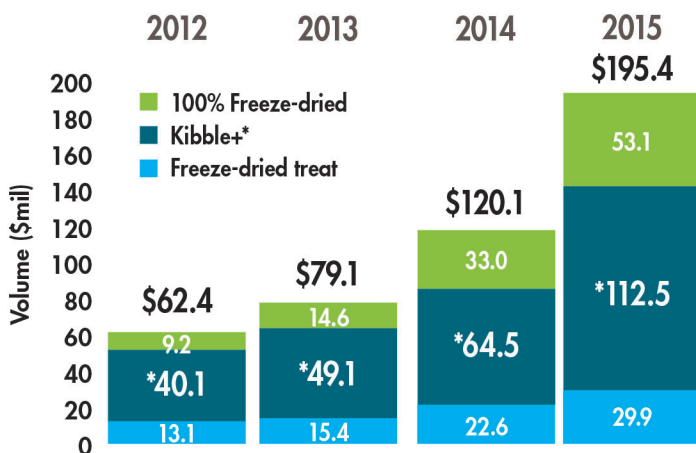
In the [January 2016 issue](#) of Petfood Industry magazine, we asked pet food industry experts to give us their predictions on the state of the industry throughout 2016. Now that we're a little more than halfway through the year, it's time to take a look at those predictions and how they've played out so far, as well as what's in store for the rest of 2016.

Freeze-dried, raw and fresh pet foods have been on the industry radar in a significant way for the last few years, and the beginning of 2016 ushered in a continuation of the trend, according to industry experts. Those in the know predicted that 2016 would be a year for companies to expand their specialty offerings in the category and find ways to make those offerings more accessible to a larger consumer base. So far, the

data trends would seem to be on the side of this prediction: the [premium pet food](#) category overall—which includes freeze-dried, raw and fresh options—has grown twice as fast as pet food overall in the last 10 years, according to PetSmart Vice President of Dog and Cat Consumables Evelia Davis. Speaking at Petfood Forum 2016, she said that people are willing to spend more to ensure the wellness of their pets, and there is an increasing awareness and belief that feeding a high-quality pet food can have positive benefits.

One of the challenges of premiumization, and its accessibility, is price. According to Maria Lange, business group director at GfK, who spoke at [Petfood Forum 2016](#) on current pet specialty trends, the average price per pound of pet food and treats has gone up 40% since 2011, largely due to premiumization. This has created “dueling trends,” where premium continues to grow but “value natural” offerings—usually about 20% cheaper than their premium counterparts—are also making their way into the market.

**FIGURE 1: FREEZE-DRIED PET FOOD TREND 2012-15**

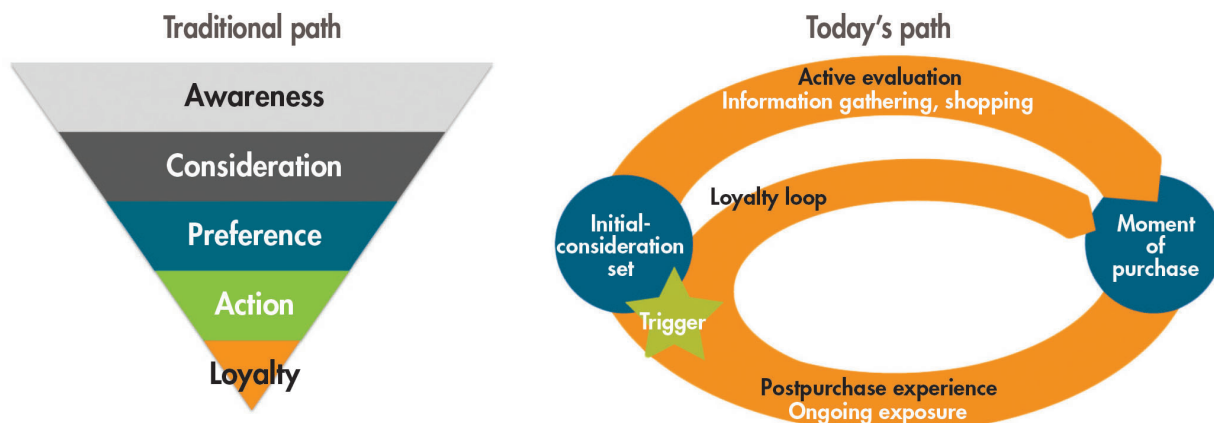


\* Kibble+ = dry full-meal kibble with freeze-dried pieces

Source: GfK, via “Enhanced, infused—or just confused? Making sense of pet specialty trends in 2016,” Petfood Forum 2016

**The total freeze-dried market grew 62.7% (year-over-year) in 2015, compared to 22.5% in 2014. 100% freeze-dried products (full meals) grew 61% in 2015, while kibble+ products saw 74.4% growth. Freeze-dried treats saw 31.9% year-over-year growth in 2015.**

**FIGURE 2: CHANGING PATH TO PET PRODUCT PURCHASING**

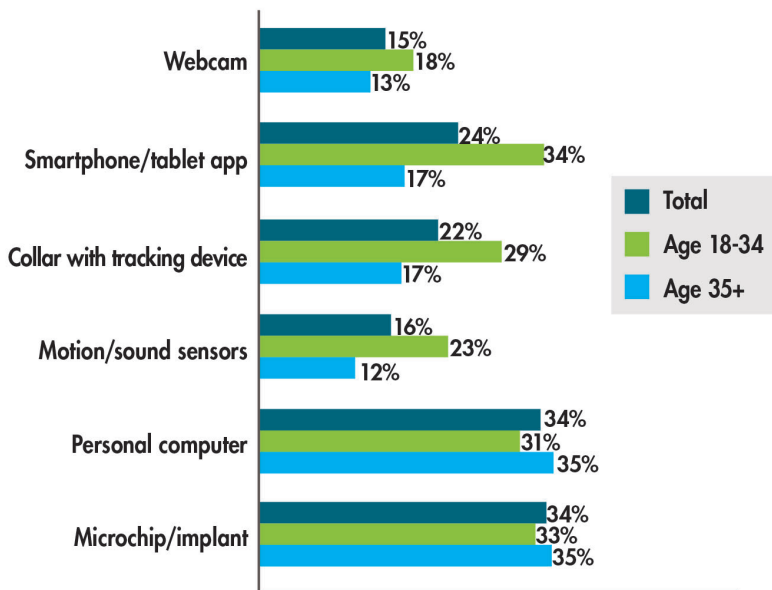


Source: PetSmart Inc., via "Co-creating value for pet parents," Petfood Forum 2016

Pet parents now have access to a wealth of information that influences their purchasing decisions, according to Evelia Davis, vice president of dog and cat consumables at PetSmart Inc. There used to be a simple funnel from awareness to consideration to narrowing of choice to purchase, but today's process is a more complicated, consumer-led journey, rather than being marketing, manufacturer or retailer led.

**FIGURE 3: TRACKING PET ACTIVITIES VIA TECHNOLOGY**

Do you use any of the following for tracking your dog's activities?



Source: Packaged Facts February 2016 National Pet Owners Survey, via "US pet market trends and outlook," Global Pet Expo 2016

Consumers are, more and more, looking to technology to interact with their pets. More than 30% of pet owners use their personal computers and microchips to track their dogs, while those in the 18-34 age group are more likely to use things such as smartphone apps and tracking collars.

Consumer behavior was another hot topic at the beginning of 2016: pet parents are becoming more and more involved in their pets' nutrition, largely through education, and industry experts fully expected to see pet food demands in line with that increased involvement. "We are all part of a unique industry that is growing," said Davis. "We have highly engaged and informed customers, and that requires us to be engaged

This doesn't mean the more niche categories within the premium pet food market are suffering, however. Raw frozen pet foods, for example, have seen 36% year-over-year growth and hold 1.1% market share at a cost of US\$5.83 per pound, according to Lange—a significant cost when compared to other categories such as natural (US\$2.70 per pound) or grain-free (US\$3.04 per pound).

And freeze-dried pet food continues to grow year-over-year, whether we're looking at the category as a whole or breaking it down further (e.g., 100% freeze-dried, full-meal kibble with freeze-dried pieces incorporated, freeze-dried treats). In 2015, the total freeze-dried segment grew 62.7% year-over-year, bringing in US\$195.4 million (see Figure 1). Perhaps supporting the inclination of consumers to look for a mix of premium and value, the majority of those dollars (US\$112.5 million) came from the "kibble+" category—those formulas containing kibble supplemented with freeze-dried pieces to make a complete meal. In January and February 2016, according to Lange, the freeze-dried category brought in US\$38.2 million. If that remains the average for the rest of the year, said Lange, the category will see 17% growth by the end of 2016 (to US\$229 million).



and committed to understanding our pets' and pet parents' needs." Customers, she said, want healthy and safe products; a seamless, authentic and engaging shopping experience; innovative products that cater specifically to their pets' individual needs and allow them to engage with their pets; and to shop with companies that 'do good.'"

These complex desires are causing [consumer purchasing behaviors](#) to change, said Davis. Rather than the "traditional" path to purchasing, which was direct and simple (see Figure 2), the industry is seeing a more complicated path—one that includes significant information gathering and shopping before the moment of purchase, and takes into consideration the "post-purchase experience," a factor in the loyalty brands are trying to instill in their customers. As humanization continues to grow (in 2015, 95% of pet parents considered their pets to be members of the family), consumer needs will steadily become more intricate and individualized.

Technology in the pet industry is guaranteed to become more and more prevalent as consumers do their best to gain the information they need and interact with their pets in the ways they want (see Figure 3). This means that savvy pet food manufacturers would do well to take a look at things like online ordering when considering outlets for their products. In a March 2016 survey by Packaged Facts (Pet Food in the US), 29% of pet owners said they'd purchased pet products online in the last seven days. Another 39% said they'd done so in the last 30 days, and 17% more said they'd purchased pet products online in the last three months.

In a December 2015 Packaged Facts survey on [Pet product marketing trends](#), 46% of pet owners said they used the internet to research pet products. More than 40% surveyed also said they use the internet for price comparison, looking for sales and coupons, buying products, comparing products and checking online sales flyers. Consumers are also diversifying their tools, using PCs, laptops, smartphones and tablets to accomplish these tasks, to varying degrees.

It is, perhaps more than ever, incumbent upon the industry to stay on top of how consumers are doing (and want to do) business with their pet food providers. With humanization in full swing and options increasing, the trends predicted at the beginning of the year rang true in the first half of 2016—and will continue to track for the rest of the year.

## WHY SUPERFOODS ARE IN MORE PET FOOD FORMULAS

By Lindsay Beaton

Published June 2, 2017

*The parallels between human health trends and pet food trends continue to grow as the focus expands to specific ingredients touting various health benefits for pets.*



George Tsartsianidis, Dreamstime.com

The connection between [human food trends](#) and [pet food trends](#) has been known to the pet food industry for years now. As pet food purchasers strive to provide their pets with the best food options available, the more specific health trends are gaining prominence and finding their way into specialty pet food formulations by way of so-called superfood ingredients.

"The connection between human and pet has certainly grown exponentially over the last couple of years, with the general public wanting to treat and feed their animals the most highly nutritious foods that they possibly can," said Lawrence Blitz, president of Green Source Organics. "I know there are a few brands out there that make the claim of human-quality food for pets, and others just try to find the highest-quality ingredients or ingredients that may have added health benefits. I think that really speaks to the bleed over from human to pet and what's causing it. I think also that the perception that what's good for us is also good for our pets, whether it be scientifically substantiated or not, plays a role."

### TRENDING: SUPERFOODS

Superfood ingredients, which usually come with at least one specific health benefit claim, can be found across the spectrum of foodstuffs — everything from pulses to fruits and vegetables to aquatic ingredients have options for pet food manufacturers to pull from.

"The inclusion of pulses in pet food mirrors the strong growth in human foods that incorporate peas, [beans](#), chickpeas and lentils," said Margaret Hughes, vice president of sales and marketing for Best Cooking Pulses Inc. "Designated as one of the top 20 antioxidant foods by the [US Food and Drug Administration], pulses are a nutrient-dense powerhouse, loaded with protein, fiber, vitamins and minerals, yet low in fat. To top it off, pulses have a significantly lower glycemic index than other seeds and grains, so they provide an additional advantage in terms of weight management."

Weight management is a significant pull for specialty pet food buyers, but there are other health and nutrition benefits consumers look for, as well, which means diversifying superfood options to suit a number of potential market needs. "With pet food mirroring human food so closely, we are seeing a need regarding all of the current dietary concerns," said Casey Koehnlein, general manager for Marshal Ingredients. "Health benefits for sure. Yes, natural/organic, gluten free, particular formulations for stages of life, common ailments and activity levels. The wonderful thing is that superfoods address all of these concerns, and there is a superfood ingredient for each individual's needs. Blueberry, apple, cranberry, tart cherry — all have specific attributes that perfectly address one or more of a pet owner's concerns for their animal."

Even aquatic ingredients are getting in on the trend. "In addition to the continued (and increasing) use of high-quality sweet potatoes and other grain-free options like chickpeas and lentils, we are seeing more and more diets containing aquatic mineral sources such as kelp, as well as aquatic proteins and oils with high levels of omega-3s," said Lane Lott, business development and sales manager at Lortscher Agri Service Inc.

It typically comes down to what ingredients are sought after for various health issues that may be targeted by veterinarians or pet treat and food manufacturers, according to Blitz. “We’ve seen a huge increase in the demand for green-lipped mussel powder,” he said. “That’s seen as a very high-protein palatant with anti-inflammatory properties, good for bone and joint issues. It’s kind of seen as a high-profile amino acid compound, and works well to increase appetite in animals who might not be eating due to illness, or who are picky eaters. A lot of raw food manufacturers enjoy it because it’s freeze-dried.”

Solid Gold Pet, which has always grown on a [platform of superfood ingredients](#) in its pet food formulations, has watched the growth and expansion of consumer needs as a matter of course. “There are certainly health benefits associated with key superfoods and consumers are realizing the power of this — not just with the food that they eat, but with the food that they give to their pets, as well,” said Bob Rubin, CEO and president of Solid Gold. “The growing traction of superfoods in our category is reflective of the overall humanization of pets. We think of pets as family and want to give them the best possible life, which starts with exceptional nutrition as the foundation. It makes sense that pet parents would want to feed their pets healthy, recognizable ingredients that deliver known health benefits.”

## THE FUTURE OF SUPERFOODS IN PET FOOD FORMULATIONS

With so many potential uses for superfood ingredients, the pet food industry is settling in for the long haul. “For now, the trend looks to be very stable and sustainable for several years to come,” said Lott. “As pet ownership expands with millennials, they are more ‘health’ conscious, it seems, as it pertains to their ‘children’ and tend to feel that if it is good for them then it must be good for their pets. The growth in this segment seems to also be getting a strong push due to companies looking more and more for ‘novel’ ingredients and other ingredients to bring to the deck as our sources of commonplace ingredients from the past become more and more limited. Without a doubt, the trend is spilling over into other pet food segments as ingredients like freeze-dried meats, fruits and vegetables become more readily available.”

Naturally, the superfoods trend will branch out and grow into whatever the market demands. “There will be winners and losers like everything,” said Koehnlein. “Some superfoods will make it and some won’t.”

They may not even keep the same label as their place in pet food formulation changes. “Because of the phenomenal nutritional benefits of these ingredients, I definitely believe the use of superfoods will continue to grow within pet food to include more unique and varying ingredients,” said Rubin. “What I don’t know is that they will always be called superfoods. This term is really popular within human food right now.” And as has been amply demonstrated, wherever human food trends go, pet food trends are sure to follow.

### Expert opinion: A wealth of superfoods

The list of superfoods being used in pet foods continues to grow as manufacturers find more ways to incorporate a wide variety of ingredients in their formulations to meet diversifying market needs.

#### Botanicals

“On the botanical side, I’ve seen a large increase in demand for all the greens, but particularly the grasses — anything from alfalfa, barley, wheat and oat grasses can be used both as nutrients and colorants,” said Lawrence Blitz, president of Green Source Organics. “Spirulina and chlorella are high in vitamins and minerals and phytonutrients.”

#### Fruits and vegetables

“Broccoli, cabbage and kale are popular in varied quantities,” said Blitz. “That’s kind of holistically the green group. The fruit side would be anything from blueberries, cranberries, blackberries or red raspberries, to bilberry, aronia or elderberry. They’ve been shown to work really well on the antioxidant side. They would potentially work in helping as a preservative in the food itself, and helping the animal as an antioxidant, a free-radical scavenger for reducing oxidation in the body.”

#### Functional ingredients

“I’ve also seen a little bit of some of the extracts, which would be botanical extracts, polyphenols or green teas,” said Blitz. “There are just so many ingredients that are used and have interest to manufacturers. Turmeric on the joint and bone health side is very popular as an anti-inflammatory, but also a natural colorant.

“I’m also seeing what may be construed as the natural side of things,” he said. “Some of our natural flavorings or oils, such as garlic, also have some health and antioxidant properties. Some of them are multifaceted in terms of functionality — they may work both as a palatant or an aroma, but also have potentially the benefits of adding a health benefit or a superfood. In certain concentrations, some of these botanical extracts become more powerful in their health benefits.”



## HOW HUMAN FOOD TRENDS ARE IMPACTING PET FOOD FORMULATION

By Lindsay Beaton

Published May 1, 2017

*With pet humanization in charge, the pet food industry must strike a balance between giving consumers what they want and giving pets what they need.*



**Human trends and desires are influencing the pet food industry more than ever, and manufacturers must keep up with increasing innovation and a constant ear to the ground.**

*Africa Studio/Adobe.com*

If ever there were times when pet food formulators could focus completely on pet nutrition without considering any other external factors, they are long gone. These days, manufacturers must contend with a host of complicated needs and wants from both animals and their human owners, including balanced nutrition, innovative and even human-like meals, looks and smells that appeal not just to the pets but to the people feeding those pets, and the push-and-pull of what pet owners want for their beloved furry family members versus what the industry knows is best for them.

### CONSUMER “WANTS” DRIVE HOW PET OWNERS SEE PET FOOD

“There’s more to our industry than just the pets,” said Chris Mondzelewski, general manager for pet specialty at Mars Petcare North America, at his [headliner session at Petfood Forum 2017](#) in April. Pet food consumer “wants,” he said, are the true trend drivers, as societal trends continue to dominate purchasing decisions. Four of those wants in particular are the primary results of consumer desires, and control a lot of what goes on in their minds as they decide what to feed their pets:

- ✓Simplicity: If I like it, my pet must, too.
- ✓Seeing is believing: I want my pet’s food to look and smell like “real” food.
- ✓Freshness: Fresh food has more nutrients and flavors.
- ✓True transparency: I must know what’s in my pet’s food and how it was made.

This attitude makes sense, considering that nearly two-thirds of dog or cat owners “strongly agree” that pets are part of the family, and another one-quarter “somewhat agree,” according to Packaged Facts data. This well-established pet humanization trend translates directly into the expectations consumers have for the pet food they buy, said David Sprinkle, research director and publisher at Packaged Facts, during [Petfood Forum 2017’s Innovation Workshop](#).

“Consumers want everything to look and feel the same,” said Ben Arnold, senior sales manager animal nutrition US for Ingredion Inc., at Workshop. “So when we’re looking at these trends and looking at what people say they want ... the point is that people have a mindset of what they say they want, but it has to line up with their lifestyle.”

And that lifestyle includes, unsurprisingly, treating pets like family. According to Packaged Facts, 57 percent of cat owners keep their pet’s food in the kitchen or pantry, influencing the level of freshness they expect from a pet food. And 26 percent of consumers say that, other than health conditions and concerns, product freshness is the most important consideration in their pet food purchase.

Transparency, of course, is of increasing importance to pet owners. “Consumers will continue to demand transparency, which will lead to the increased use of certified ingredients,” said Jennifer Adolphe, PhD, senior nutritionist for Petcurean. But as the industry contends with an increasingly skeptical consumer base that doesn’t seem to trust “insider” (aka research-based) information, “the task of selling the science to consumers who really want the warm fuzzy feeling that their pet is getting food just like their own is a real challenge,” said Adolphe at Petfood Forum.

## THE FUTURE OF BALANCING PET OWNER “WANTS” AND PET “NEEDS” IN PET FOOD

With the purchaser of pet food industry products being so different from the actual consumers of said products, finding the proper line between what will provide nutritionally balanced diets for pets and what will actually get those diets off shelves and into pets’ bowls is a significant industry challenge. “I think the starting point is meeting pets’ needs first,” said Richard Butterwick, global nutrition advisor at the Waltham Centre for Pet Nutrition. “[At Mars] we do that by embedding really high-quality standards in terms of how we design and manufacture our pet foods. However, having said that, I think it’s entirely possible to really put the lens of consumer wants on top of those needs, and meet those wants as long as we’re not compromising their needs.”

When it comes to pets, their health and well-being is one compromise the industry is never willing to make. “The reality is that the needs always have to come first,” said Mondzelewski. “The products that we’re making and putting out there are for the sustenance of dogs and cats. That always has to be our very first priority. Balancing that with the wants can be difficult at times, but we can never compromise on that. The trick for us is to find ways to be able to talk about and market those needs in a bigger way.”

### Finding the information: tapping into consumer insight channels

There are five key channels to tap into in order to gain insight on consumers and your target markets, according to Scott Kington, executive vice president of strategic planning and brand development for Woodruff Sweitzer, and Andrew Grinch, content director for Woodruff. Such knowledge can lead to information on needed innovations and emerging trends, and may provide your company with a vital competitive “in.”

#### Five key channels can be tapped into to gain insight on consumers and target markets Woodruff Sweitzer



#### **Your people: What are they hearing from customers or colleagues?**

- Salespeople
- Product specialists
- Customer service representatives
- Quality assurance and regulatory

#### **Your (digital) channels: What are customers saying to you?**

- Social media accounts
- Website – product feedback
- Website – analytics

#### **Social chatter: broadcast-style: What are they saying to their followers?**

- LinkedIn
- Instagram
- Twitter

#### **Social chatter: community-style: What are they discussing?**

- Facebook
- Reddit
- Forums

#### **Market research: What is new, different or emerging?**

- Primary
- Secondary

From “Listen to win: Use customer insights and your company’s experts to create breakthrough marketing,” Petfood Forum 2017:



## TOP PET FOOD TRENDS ON CONSUMERS' MINDS IN 2017

By Lindsay Beaton

Published December 7, 2016

*According to industry experts, what goes into pet food and how that food is represented will be the top trends of 2017.*



**Pet food industry trends are an ever-changing landscape, but pet food experts weigh in on what they think 2017 will bring.** graphicphoto.Image from BigStockPhoto.com

It's been a busy few years for top pet food trends in the industry. Increasing pet humanization, consumer involvement and diversification of the market have all banded together to create a landscape with more products than shelf space and a firm need to get inside the minds of pet owners to find out what they want. Some trends have been staples of the industry for years, while others have their roots in simpler times but have grown increasingly individualized as consumers look for ways to feed their pets the best, most-catered formulas they can find. As 2017 begins, it's time once again to take a look at what the year has in store for pet food.

### Pet food in the digital age

The internet was another trend experts expect to be significant in 2017 and beyond, as consumers look online for everything from pet food education to ordering the actual pet food. "The internet continues to be a major factor in the way we receive information and purchase products," said Scott Glover, CEO of Mid America Pet Food. "It levels the playing field and puts smaller companies on near-equal footing with the once-untouchable multi-billion-dollar brands. Pet food review sites are also influencing pet owners' buying decisions by comparing labels and exposing lower-quality ingredients commonly found in major grocery store brands."

According to Alltech, it's another carryover from the human food and health world. "Perhaps, to a degree, we are almost there with digital nutrition," said Juan Gomez, global director for Alltech. "The advent of activity trackers or smart watches/phones to monitor activity, calorie consumption, heartbeat and quality of sleep could be synced to a nutritional platform to provide individuals with options to achieve a level of desired fitness and health. Soon we should see similar applications for our companion animals."

### INGREDIENTS: A FOCUS FOR CONSUMERS MEANS OPPORTUNITIES FOR FORMULATORS

With consumer desire for pet food specialization comes an increased scrutiny on the ingredients in that food, and according to industry experts, it's going to be a year of laser-like focus on what goes into their products. "Clarification of ingredients will be increasingly important, with no preservatives and no genetically modified ingredients," said Joe Tordella, area sales manager for Bühler Aeroglide North America. "Falling by the wayside is the idea of a formulation that's 'scientific' or lab based because pet owners consider it less human."

There's a wide range of ingredients the industry believes consumers will focus on in 2017, but superfoods seem to be on many minds. "Already mainstream in the human diet, nutrient-packed superfoods like pumpkin, kale, chia, sweet potato, kelp, broccoli, carrots, apples and local raw honey will ramp up in pet foods, treats and additives," said Dolinda Meeker, senior account director for Product of the Year USA.

"Authenticity" is another buzzword making the rounds, as the industry believes consumers want pet foods that come ever-closer to the foods they put on their own dinner plates.





Ingredients and labeling will be hot topics to consumers in 2017, according to experts, presenting both challenges and opportunities for the industry.

"The food industry is centering on minimally processed and more-natural foods, and we expect to see similar trends for pet food," said Juan Gomez, global director for Alltech. "Nutrition will be more holistic, a way to provide an answer to lifestyle and changes associated with aging. Pet food manufacturers will be introducing variants to address different aspects of pet health; e.g., cognitive nutrition, anti-inflammatory nutrition, lifestyle nutrition and so forth."

Many are looking to limited ingredient diets (LID) as an increasing trend in 2017. "Pet owners have embraced LID foods, initially to hold off food allergies in their pets," said Maria Lange, business group director, POS tracking (pet specialty) for GfK. "But the transparency of knowing exactly what their four-pawed companions are consuming is also a big plus for doting humans — one that is helping to drive further LID success."

Speaking of transparency, industry experts are keenly aware of what consumers have to say on that subject, and expect more

## Global pet food trends in 2017 — MARCEL BLOK, OWNER, CHANGE STRANAMICS BV

### Global growth

"China is bound to grow significantly, as is most of the Pacific Rim (with the exception of Japan). Growth in Australasia will be very limited, if any. In this region, value growth will come from upgrading consumers because volume growth is stagnant or may even be declining a little in view of the growing population of smaller-sized dogs. South America, with Brazil as the locomotive, will show a very modest growth, mainly because of the continued crisis in Brazil. Western Europe will show some growth due to upgrading consumers, more for cat than for dog. Scandinavia seems to have reached its peak, both in volume and in value. In Central & Eastern Europe, the going continues to be good, which is caused by both volume and value increase; the latter higher than the volume, again because of an upgrading consumer and a wider availability of premium propositions. Mediterranean Africa will show some decline due to political unrest and decreasing spending power."

### Global trends

"Overall, there is a steadily growing demand for grain free and 'fresh' meat, both of them carving out an increasing share of the market. BARF (biologically appro-

priate raw food) will show further growth in Western Europe, but isn't likely to grow beyond the stage of an interesting niche. In China, there is a growing demand for pet food 'made in Europe' — frequent recalls of US products in the United States seem to have created an image of inferiority for US pet food — but increasingly sold under Chinese brands. The use of so-called novel ingredients is only very slowly catching on, partly because of supply chain issues, but certainly also because manufacturers lie in wait.

"In Western Europe, a few trends influencing the industry have become more and more visible: Sustainability, ingredient integrity and authenticity have become factors to take into account when developing new products. A more critical consumer (as well as the buyers of pet and supermarket chains) pay a lot of attention to this. The product must be top and the question, 'Where do you come from?' must be answered fully and honestly. The manufacturer/brand owner must show to act responsibly."

### Pay attention in 2017

"The top region to pay attention to remains, without any doubt, the Pacific Rim and further Southeast Asia, where I see that countries such as Vietnam, Indonesia and the Philippines offer a huge potential to tap into."

of the same in 2017. "Consumers will continue to demand transparency, which will lead to the increased use of certified ingredients," said Dr. Jennifer Adolphe, companion animal nutrition registered dietician at Petcurean. "Certifications are a clear way to inform consumers about the way in which a food or ingredient is produced."

Whatever ingredients consumers decide to focus on, getting the best nutrition for their pets will always be top-of-mind. "I do believe grain-free and raw diets are here to stay, although certainly in the case of raw diets, I believe they will always play a very small percentage of the overall market," said CEO Scott Glover of Mid America Pet Food. "When it comes down to it, the foods that are going to be here for the long term are those that offer good 'nutritional values' to the pet owner and those brands that keep their formulas up to date with the latest scientific advancements."

## LABELING: WHAT PET FOOD COMPANIES NEED TO HIGHLIGHT IN 2017

In addition to wanting to understand what ingredients are in their pets' food, consumers want to have easy access to everything involving what their animals eat. That's why, according to industry experts, labeling will be more important than ever. "Companies will have to reinforce and clarify their natural definition," said Hélène Audic, Diana Pet Food's markets and trends analyst. "A long list of low/no/reduced claims won't be sufficient anymore to reassure pet parents who expect more transparency and simplicity. Greater emphasis will be placed on clean labels. That is why IUD claims, paleo diet, organic and gently processed products such as raw, freeze dried and oven baked will clearly become mainstream, as will local and artisanal offerings."

"Clean labels" are expected to be a significant trend. "Clean labels are a huge trend in human nutrition, with consumers demanding ingredients with which they are familiar," said Adolphe. "For the pet food industry, this will translate into increased demand for limited ingredient diets and shorter ingredient panels on pet foods. Consumers want to make sure they feed their pets the most nutritious ingredients possible without any extras that aren't needed."

According to GfK, branding might even be more important than ingredients in 2017. "The natural trend will continue to shape and expand our pet vocabulary in 2017, but we expect the emphasis to be more on the food's preparation and branding, rather than actual ingredients," said Lange. "In different ways, 'sustainable' and 'family owned' both connote a home-grown approach, environment-friendly practices, local sourcing and the comfort of familiar brands. 'Humane' food also helps pet owners have a clear conscience, suggesting that protein sources were ethically raised and treated."

And the clearest way to brand? "Overall, I think that increased focus on well-designed packaging will continue to be a big trend," said Stefan Hartung, cofounder of Ideas that Kick. "Dog and cat food has been leading the charge for about five or six years now. But other pet foods are following suit and are changing their respective categories. Old norms are getting thrown out of the window and breakthrough packaging stories are being told."

## SUMMARIZING 2017

Overall, the attitude of the industry seems to be that one can't go wrong by looking towards human food for inspiration and [new trends](#). "The gap between pet food and human food will continue to narrow as pet owners value pet nutrition as high as their own needs," said Tordella. "Pet owners will continue to want high-quality pet food that can address the same health concerns that influence human food production."

And whatever else, standing out in a highly diversified market will continue to present both opportunities and challenges for pet food companies.



## HOW PET OWNERS ARE INFLUENCING ONLINE GLOBAL PET FOOD SALES

By **Lindsay Beaton**

Published August 1, 2016

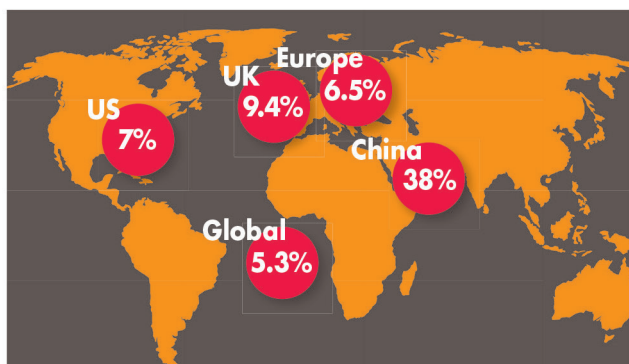
*Slow but steady growth in developed markets, coupled with exponential growth in some developing markets, makes the e-commerce segment of pet food one to watch.*



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As pets solidify their spots as family members in the minds of their owners, technology is becoming an increasingly important way for consumers to gain information and take care of their animals. Among the many pet care segments affected by this trend is pet food: Between the desire for more access to a wider variety of options (particularly in more developing markets) and the “convenience is king” mentality prevalent in today’s shopping patterns, online pet food purchasing is seeing increasing growth that is only expected to continue its upward trajectory.

**FIGURE 1: E-COMMERCE SHARE OF PET FOOD, CARE, PRODUCT SALES BY REGION 2015**



NOTE: Numbers represent share of pet food sales in China, pet care sales in the US and global, and pet product sales in the UK and Europe.

Source: Fung Global Retail & Technology, “Global pet e-commerce: A dynamic channel in a growing market,” May 25, 2016

**E-commerce is growing in popularity in the pet food market, showing steady increases in more developed markets, such as the US and UK, and exponential growth in some developing markets, such as China.**

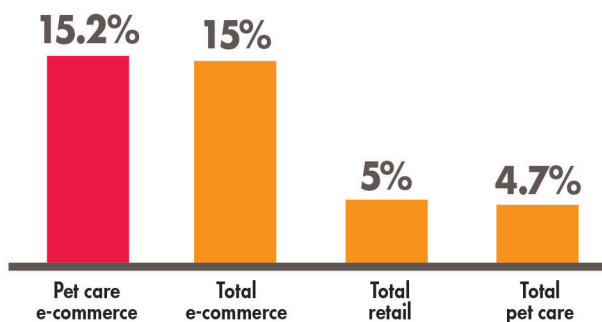
### THE GLOBAL ONLINE PET FOOD PURCHASING LANDSCAPE

Globally, an estimated 5.3% of total pet care sales happened online in 2015, according to a Fung Global Retail & Technology report, Global pet e-commerce: A dynamic channel in a growing market. This number was up from 2014’s 4.4%, showing slow but steady growth overall. Several developed markets were above these percentages (see Figure 1), including the United Kingdom (9.4% of total pet product sales online in 2015), the United States (7.0% of total pet care sales) and Europe (6.5% of total pet product sales), all numbers which showed growth from 2014.

But perhaps more interesting to look at in the online purchasing trend is a more developing market, such as China. A country for the pet food industry to watch in the coming years for a number of reasons, China’s middle class is growing—and with that growth comes more disposable income and more pets, resulting in the desire to spend



**FIGURE 2: PET CARE E-COMMERCE SALES GROWTH VS. OTHER SALES SEGMENTS 2010–14**

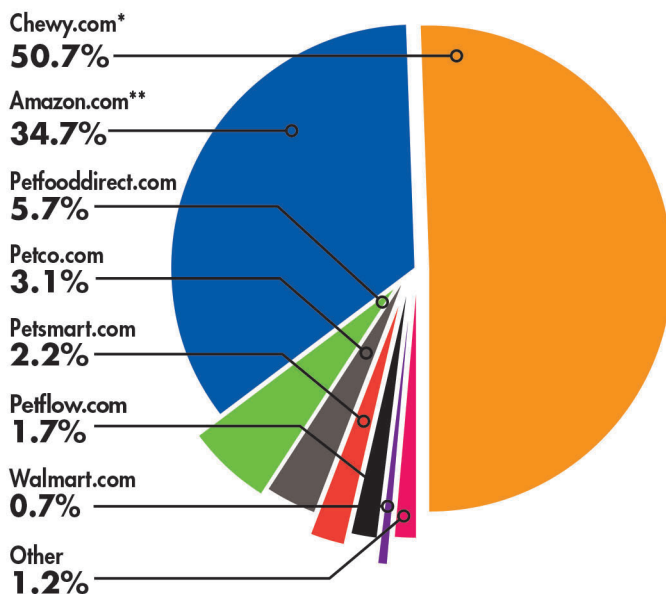


NOTE: percentages represent CAGRs 2010–14

Source: APPA/Forrester Research/US Census Bureau/Fung Global Retail & Technology, via Fung Global Retail & Technology, "Global pet e-commerce: A dynamic channel in a growing market," May 25, 2016

**Pet care e-commerce actually showed greater growth (CAGR) between 2010 and 2014 than e-commerce overall, total retail and total pet care sales.**

**FIGURE 3: US TOP PET FOOD WEBSITES' MARKET SHARES 1Q2016**



NOTE: Percentages determined by online sales dollars

\* Chewy.com's share includes 40.5% share for Chewy.com and 10.2% share for the company's subscription service.

\*\* Amazon.com's share includes 23.5% for the direct channel, 7.6% for the subscription channel and 3.6% for the market channel.

**There are clear winners in the current online pet food purchasing landscape (Chewy.com and Amazon.com), but there are other outlets sharing smaller pieces of the pie that present plenty of options for savvy consumers.**

more money on those pets. The country is expected to represent 25% of global pet food market growth by 2020, and while offline pet food sales are showing modest growth (US\$803.73 million in 2015, up 4% from 2014, according to GfK), online pet food sales are a completely different story. In 2015, roughly US\$424.61 million in China's pet food sales came from online purchases, showing 36% growth from 2014 numbers and representing about 38% of total segment sales.

Further highlighting China's development in the market, natural pet food in particular saw a significant boost in the country's online pet food sales—51% of the natural pet food purchased in China was bought online, reflecting 49% growth from 2014 online numbers, according to GfK. So not only is China looking for more access to pet food, it's using that access to take part in the more mature trends familiar to other markets.

In the US, the growth of pet care e-commerce is easily outgrowing total pet care sales. According to Forrester Research, between 2010 and 2014 pet care e-commerce in the US grew by 76%. In contrast, the American Pet Products Association (APPA) reported 20% growth for the total pet product industry over the same time frame. According to Fung, pet e-commerce not only substantially outpaced total pet care sales from 2010 to 2014, but also grew faster than total e-commerce or total retail (see Figure 2).

## HOW CONSUMERS ARE SHAPING THE PET E-COMMERCE TREND

In the US, there are two dominating outlets for consumers' desires to purchase pet food online. According to 1010data, Chewy.com and Amazon.com controlled 85.4% of the online pet food purchasing market share in the first quarter of 2016 (see Figure 3). These percentages include both direct sales and subscription services, which are also becoming increasingly popular: Both Chewy and Amazon saw their subscription sales of pet food nearly triple year-over-year in the first quarter of 2016.

There are other players in the e-commerce game, however: Petfooddirect.com holds 5.7% of the market share, Petco.com claims 3.1% and Petsmart.com holds 2.2%. Other outlets, such as Petflow.com and Walmart.com, also have small shares in the overall trend.

What percentage of pet product buyers are actually making use of these outlets? According to Packaged Facts survey data (see Table 1), 68% of pet owners in February and March of 2016 purchased pet products online sometime within the last month of their taking the survey, while another 17% had purchased products online "within the last 3 months." These numbers held fairly steady from 2015, but showed marked increases from years before

**TABLE 1: TIME FRAME FOR MOST RECENT ONLINE PURCHASE OF PET PRODUCTS 2012–16**

Time frame	2012	2013	2014	2015	2016
Within the last 7 days	16%	14%	19%	27%	29%
Within the last 30 days	29	27	25	41	39
Within the last 3 months	24	24	30	20	17
Within the last 6 months	12	17	14	6	8
Within the last 12 months	12	14	8	5	3
Over 12 months ago	7	4	5	2	3

NOTE: Base = pet product buyers; percentages are % of pet owners

Source: Packaged Facts National Pet Owner Surveys, March 2012, February/March 2013, January/February 2014, January 2015 and February/March 2016

**Well more than half of pet product purchasers said they purchased pet items online “within the last 7 days” or “within the last 30 days,” showing significant opportunity for companies considering an expansion of their online presence.**

that, showing a fairly recent but significant growth in online pet product purchasing.

And what are these consumers purchasing? According to 1010data, [specialty brands currently dominate the online pet food market](#) (see Table 2). In the first quarter of 2016, Blue Buffalo held 12.3% of the total online market share, followed by Wellness (9.0%), Hill's (7.5%), Purina (7.2%) and Royal Canin (6.8%) rounding out the top five.

Nine of the top 10 pet food brands purchased online are categorized in the specialty segment, showing a trend among those consumers looking to diversify their pet food options regardless of the choices in their immediate, brick-and-mortar areas.

“In Q1 2016, Blue Buffalo was the number one pet food brand sold online, moving up from number two in Q1 2015,” said a 1010data report. “An interesting characteristic of the online pet food market is that consumers tend to favor specialty brands online, as nine out of the top 10 brands produce specialty pet food. In Q1 2015, Wellness was the number one selling brand, followed by Blue Buffalo and Taste of the Wild. In Q1 2016, Blue Buffalo had captured enough market share to become the number one selling brand, with Hill's and Purina also growing their share year-over-year.”

When considering the online pet food market, the industry should expect continued growth as consumers look more and more towards diversity and convenience for solutions. In developing markets, where domestic production can no longer meet demand; the specialty food segment, where consumers are willing and able to spend more time and money to get their pets the very best options; and in subscription services, which provide a convenience factor difficult for many busy pet owners to pass up; it makes particular sense to take a closer look if a company is aiming to include e-commerce as part of its business model.

**TABLE 2: TOP 10 PET FOOD BRANDS ONLINE MARKET SHARE BY SALES \$ 1Q2016**

Brand	% market share
<b>Blue Buffalo</b>	<b>12.3%</b>
<b>Wellness</b>	<b>9.0%</b>
<b>Hill's</b>	<b>7.5%</b>
<b>Purina</b>	<b>7.2%</b>
<b>Royal Canin</b>	<b>6.8%</b>
<b>Taste of the Wild</b>	<b>6.6%</b>
<b>Natural Balance</b>	<b>4.7%</b>
<b>Orijen</b>	<b>3.5%</b>
<b>Merrick</b>	<b>3.4%</b>
<b>Fromm</b>	<b>2.6%</b>

Source: 1010data

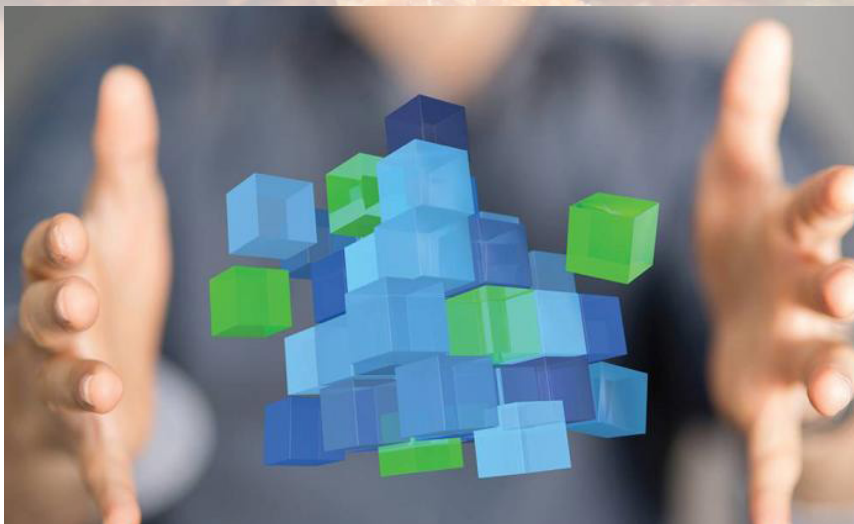
**Well more than half of pet product purchasers said they purchased pet items online “within the last 7 days” or “within the last 30 days,” showing significant opportunity for companies considering an expansion of their online presence.**

## US MARKET DOMINATES GLOBAL PET FOOD STRUCTURE

By **Lindsay Beaton**

Published July 7, 2016

*While unsurprisingly top-heavy in favor of the US, there are also other areas of note—as well as some regions to watch as their markets become more developed.*



**The global pet food industry is dominated by the US market, but a diversifying landscape will provide opportunities for manufacturers all over the world.**

vege.fotolia.com

While the global pet food industry's current structure reflects the dominant US market, as diversification increases there are several other markets making up ever-larger pieces of the worldwide pie.

### NORTH AMERICA



It's common knowledge that the United States boasts the most mature pet food market in the world. With more than 120 companies (We have 118 in our Top Companies Pet Food Database, but we know that's not all of them!), nearly 300 manufacturing facilities (according to the most recent Economic Census conducted in 2012) and nearly 17,000 employees working at those facilities (to say nothing of the staff employed in support of those facilities), the US pet food industry has clearly earned its reputation as not just a dominating market in North America, but a global force, as well.

In 2015, the US accounted for 38% of the roughly US\$70 billion global pet food market, no surprise when the number of dogs and cats in the country (178 million) averages out to one pet for every other person in the country's population of 354 million. In line with its mature status, the US pet food market is expected to retain a 3.5% compound annual growth rate (CAGR) through 2017.

But the US isn't alone in the North American market, and while Canada claims a far smaller piece of the global pet food pie, it continues to grow as the industry further matures and diversifies overall. The country's 29 pet food companies (according to the Pet Food Association of Canada and our own Top Companies database) did US\$3 billion in business in 2015 and employ 2,050 people. More than 480,000 metric tons of pet food is sold annually to feed the country's 13.7 million cat and dogs, and over 70% of that food is purchased through pet shops, superstores and grocery chains.

### WESTERN AND EASTERN EUROPE

According to FEDIAF, the umbrella association for European countries' various pet food industry associations (21 countries in total represented), pet food products in Europe resulted in an annual turnover of about €15 billion (US\$16.7 billion) in 2014—9 million metric tons of pet food. With at least 146 pet food companies (according to our Top Companies Database), the vast majority of which are in Western Europe, owning 650 plants, direct employment in the European pet food industry came in at 80,000 in 2014, with another 700,000 indirectly employed via positions in the veterinary field, pet specialty stores, suppliers, trade shows, etc.

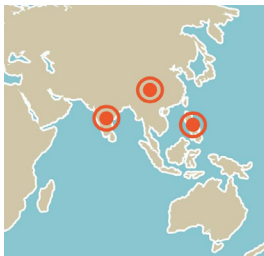


The second-largest global pet food market—together, Europe and the US make up roughly 70% of the total market—is expected to have a CAGR of 4.4% through 2017. With 75 million pet-owning households in 2014, this is no surprise. There are more than 81 million dogs and more than 63 million cats in Europe. On the canine side, Russia comes out on top, with 15.9 million dogs. The United Kingdom (8.5 million), Poland (7.6 million), France (7.3 million), Italy (7.0 million) and Germany (6.8 million) also make up significant portions of the pet dog population, according to FEDIAF data. On the feline side, Russia comes out on top again, with 21.7 million pet cats. France (12.7 million), Germany (11.8 million), Italy (7.5 million) and the UK (7.4 million) help round out significant portions of the population, marking key opportunities to continue growth in the European region.



Of course, Russia is a developing market to watch all on its own. In 2015, the Eastern European country contributed US\$1.5 billion to the total global pet food market. That puts it in a tie with Spain's market (also US\$1.5 billion) and just below Italy (US\$2.6 billion). While not yet ready to compete with the UK's market (US\$4.4 billion), it's clear that there are plenty of opportunities to be had in that part of the world. Even hampered by years of economic and geopolitical unrest, Russia remains the top player in the Eastern European pet food market.

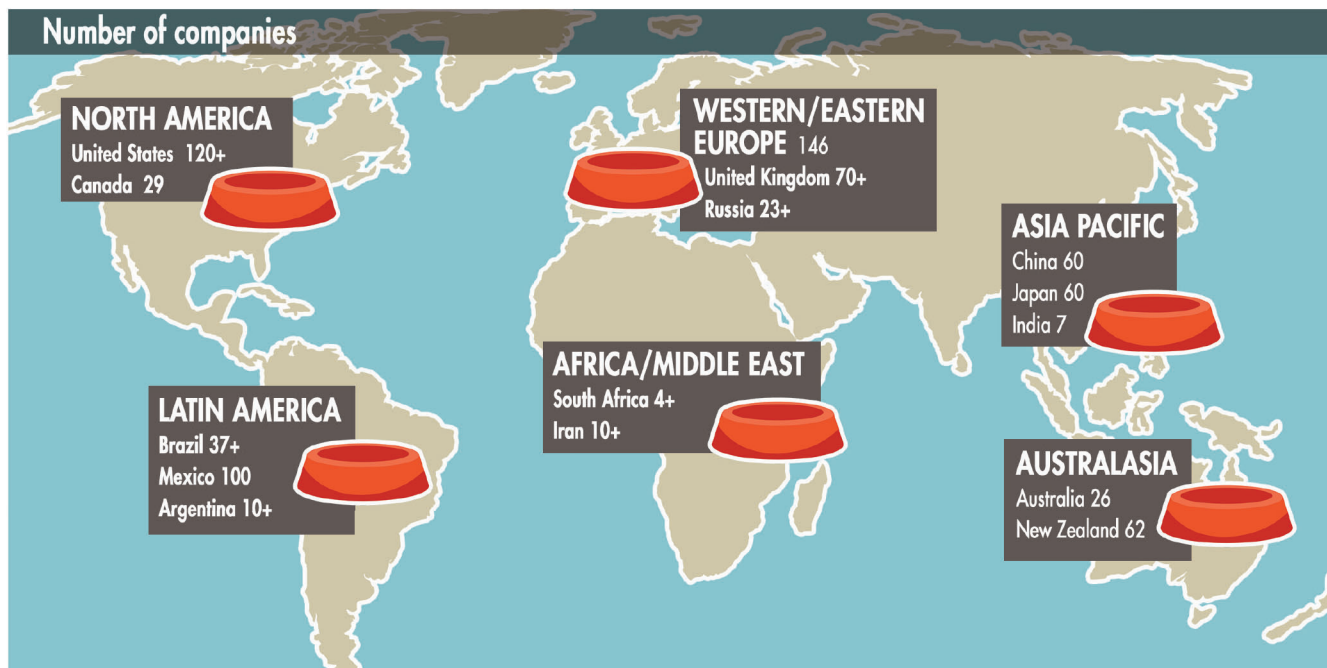
## ASIA PACIFIC



The Asia-Pacific region is home to several developing pet food markets, all of which have increased in interest over the last several years as rising incomes and globalization make it more lucrative to do business in the area. With at least 120 companies (according to industry data) functioning in China and Japan alone, and others setting up shop in India, Thailand, Korea and the Philippines, the markets are expected to continue to grow.

Japan has been a slower growing market, reaching US\$6 billion in pet food sales in 2015. China is growing more quickly but also has more growing to do: US\$1.3 billion in 2015, according to GfK data. But the country is definitely on its way up. As the middle class grows and more people turn to pets (particularly small dogs and cats, which are more portable and easier to manage in smaller apartments) for companionship, the opportunities for pet food companies looking to expand internationally will continue to increase. It doesn't hurt that China

## GLOBAL PET FOOD INDUSTRY STRUCTURE



According to available data, gathered from various country and regional pet food industry associations, official data-analysis sources, and Petfood Industry's own Top Companies database, the global pet food landscape is diverse and growing.

is in the top three globally for both dog and cat ownership: 27.4 million pet dogs (behind the US and Brazil) and 58.1 pet cats (behind the US), according to GfK. The country is also expected to represent 25% of global market growth by 2020.

India is another developing market to watch, with a lot of room for growth. In 2015, the country claimed US\$200 million of the pet food market, and an increase in disposable income means an increase in pet ownership—breaking into the top ten in canine ownership with 10.2 million pet dogs, ahead of Argentina, the UK and France, according to GfK data.

## LATIN AMERICA (INCLUDING SOUTH AMERICA)



Brazil is the largest pet food market in Latin America in terms of sales, with US\$5 billion in pet food sales in 2015. It's also home to at least 37 pet food companies, according to our database, the second-largest pet dog population in the world (35.7 million) and the fourth-largest pet cat population (12.5 million).

Mexico comes in second in Latin America for pet food, at US\$2.28 billion in 2015, but the country has far more pet food companies—roughly 100—making up its industry, and ranks among the top 10 pet care markets globally, as well as one of the fastest-growing. Dog food dominates 96% of the market—US\$2.195 billion versus cat food's US\$91.24 million—and dog and cat food together produce about 1 million metric tons in volume per year.

Considering it's still a growing market, one of the most interesting things about Mexico is its adoption of the trends prevailing in the more developed markets. According to a recent presentation held at Foro Mexico 2016, superpremium products account for 19% of dog food sales, with premium products at 66%; standard (economy-priced) products weigh in at only 15%. For cat food, the breakdown is superpremium at 7% and premium at 93%. Of course, the Mexican market is still characterized by a relatively low percentage of pets eating commercial pet food: less than 40% for dogs, according to Euromonitor. Those pets that are fed commercial products probably live with owners in the larger cities of Mexico, who likely have the incomes to afford higher-priced products, thus driving the premiumization trend seen in larger markets like the US.

While [Brazil](#) and Mexico make up the larger portion of the Latin America pet food market, there are other countries in play: for example, Argentina brought in US\$1 billion in 2015, and hosts at least 10 pet food companies, according to our Top Companies database. Other countries with growing markets within Latin America include Chile, Colombia, Costa Rica, Ecuador, El Salvador, Peru, Trinidad and Tobago, and Uruguay.

## AUSTRALASIA



[Australia](#) alone is home to 26 pet food companies, according to industry data, and contributed US\$2 billion to the global pet food market in 2015. It's also fairly developed in terms of what Australians are feeding their pets: 40% to 69.9% of dogs are fed commercial pet food, and 60% to 79.9% of cats are fed the same, according to Euromonitor International data. The Australian pet food market can expect a CAGR of 2.94% until 2019, according to a recent report by TechSci Research.

In 2014, Mars Incorporated acquired the Iams and Eukanuba pet brands in Australia and New Zealand from Procter & Gamble, expanding its presence in the markets in those countries. There are over 8.5 million pet cats and dogs in the region, and 62 companies manufacturing pet food in the area, according to the New

Zealand Petfood Manufacturers Association, making it a growing part of the market worth watching.

## AFRICA AND MIDDLE EAST



The Middle East and Africa are, by all accounts, developing markets in the pet food industry. There is little data on how much commercial pet food has entered into pet ownership in the region, but the data that is there is mostly low—South Africa is by far the most developed market, with 20% to 39.9% of dogs eating commercial pet food, and 60% to 79.9% of cats eating the same. South Africa's total pet food market in 2015 brought in US\$300 million—just US\$100 million more than India, and less than the Czech Republic (US\$325 million). Available country data in our Top Companies database shows four pet food companies operating in South Africa.

The [Iranian](#) pet food market has shown significant signs of growth in the last few years, reaching 700 metric tons and US\$6 million in 2015, according to Persian Pet International. While a very small segment of the overall global industry, the numbers represent a significant rise in a single year. Right now, the company is

importing largely from Germany and Italy, as sanctions have hampered its ability to trade with countries such as the US and UK. The market is forecast to reach 2,000 metric tons of pet food by 2020, according to the Iranian Ministry of Industry and Business.

## FUNCTIONAL PET FOOD INGREDIENTS DRIVING NEW FORMULATIONS

By Lindsay Beaton

Published November 1, 2017

*As customers continue to demand more from their pets' food, functional ingredients are making their way into all types of pet food formulations.*



**Functional pet food ingredients, which often claim some sort of nutritional or health benefit, are becoming more mainstream as pet owners at every price level want the best in nutrition for their dog or cat.**

*Ermolaev Alexandr, Fotolia.com*

Functional ingredients have been around in the human food sector for a long time. Touting all sorts of health and nutrition benefits, the novelty of each ingredient has come and gone depending on consumer preference, but there's no doubt that they're a staple in human nutrition. It's unsurprising, then, that functional ingredients have also become a staple in pet nutrition.

"The distinction between human food and pet food is continually decreasing as pet owners are looking for more nutritious food for their pets and desire to know where their pets' food comes from," said Tara Froemming, marketing coordinator for Healthy Food Ingredients. "The human food trends have been a prominent driver of pet food. In addition, consumers are looking for the quality of their pet food to be at or above human food."

Expanding beyond veterinary or premium specialty diets, it's no longer difficult to find at least one functional ingredient claim on pet food bags at all price points. What qualifies as a functional ingredient has expanded, too, as formulators look to old classics and novel ingredients to fulfill customer requests.

"Functional foods include fruits and vegetables, botanicals, whole grains, dietary supplements (including pycnogenol, collagen, coenzyme Q10, low-molecular-weight hyaluronic acid, chondroitin sulfate and glucosamine sulfate), beverages, probiotics and prebiotics," according to "Functional foods in pet nutrition: Focus on dogs and cats," a research study published in the June 2017 issue of Research in Veterinary Science. Novel ingredients, according to the study, have been identified as functional because they provide health benefits "beyond the provision of essential nutrients, such as vitamins, minerals, water, proteins, carbohydrates and fats."

### WHERE TO FIND FUNCTIONAL INGREDIENTS IN PET FOOD FORMULATIONS

While the bias is still toward smaller, niche pet food formulations that are traditionally known for focusing on those health benefits, functional ingredients are being seen everywhere.

"People are trying to differentiate themselves from others in the marketplace by either providing a unique ingredient or using an ingredient in a unique way," said Trevor Faber, nutritionist for Trouw Nutrition. Pet food manufacturers "are really trying to provide formulas with different blends or different ingredients that deliver a benefit."

Superfoods, anything befitting a "clean label," value-added, less processed, natural, organic, plant-based proteins — any ingredients meeting these requirements are getting a good, long look for their potential benefits, according to Froemming.

"We have seen these trends across all lines and formulas industry-wide, including private label, store brand, etc., with food-grade driving pet food trends," she said.



Supplemental feeding items, such as pet food meal toppers (in powder or liquid form) or gravies, are current popular methods of imparting functional benefits, according to Faber.

"It's kind of a unique way to deliver the supplement powder instead of (formulators) putting it directly in the food; it gives the customer the power of adding it themselves and feeling like they're benefiting their pet," he said.

Any ingredient that claims oral health, joint health or digestive health is particularly sought after, he said.

## ANSWERING PET FOOD MARKET NEEDS WITH FUNCTIONAL INGREDIENTS

Arcadia Biosciences announced in August 2017 that the company's Sonova GLA (gamma linoleic acid) safflower oil was approved by the US Food and Drug Administration (FDA) for use in dog food formulas, opening up its use as a functional ingredient for claims such as weight management, control of dermatological conditions, mobility-related arthritic conditions and immune system disorders. According to Arcadia, the ingredient has already been in use in human food since FDA approval in 2009.

"The Federal Register publication completes FDA's approval of Sonova GLA safflower oil and ... opens up an entirely new market for the sale of GLA in the fast-growing specialty market of pet nutrition," said Raj Ketkar, president and CEO of Arcadia Biosciences. The oil is a source of omega-6 fatty acids in dry food for adult dogs.

Healthy Food Ingredients landed on purple corn as a multifaceted, standout functional ingredient.

"Our Suntava purple corn is a good example of not necessarily a new-to-market ingredient, but one that fits pet food trends very well which manufacturers may not have previously looked to as a viable option," said Froemming. "It is organic, whole grain, clean label and value-added with more antioxidant power than blueberries, acai berries and pomegranate juice due to its exceedingly high levels of polyphenols and anthocyanins. Specific to pet foods, our purple corn supports joint health, weight management, digestive health, blood sugar, etc."

Trouw is fielding questions about fruits and vegetables as a substitute for synthetic vitamins but, as with any formulating these days, there are challenges between giving the customer what they want and meeting the pet's nutritional needs.

"Our stance is, we're leery of that, just because of the variability and different forms of fruits and vegetables people can get," said Faber. "We can't guarantee that their nutrient profiles are going to be the same, and there's the possibility for deficiencies or toxicities to exist if you're not properly formulating with all those fruits and vegetables. Based on our experiences, that's not a very valid approach, because from a nutrition standpoint it contains a lot of risk."

## THE FUTURE OF FUNCTIONAL INGREDIENTS IN PET FOOD

"Since many of these 'human food trends' are still picking up traction in the pet food industry, we expect those trends will grow and expand going into 2018," said Froemming. "Furthermore, manufacturers looking to meet these trends will be working to reformulate finished products."



**The US FDA has approved Arcadia Biosciences' Sonova GLA safflower oil for use as a functional ingredient in pet food. Unsurprisingly, it has already been in use in human foods for several years.**

*Swapan, Fotolia.com*



**Healthy Food Ingredients' purple corn fulfills health claims pet owners may be looking for, including supporting joint health, weight management, digestive health and blood sugar.**

*Courtesy Healthy Food Ingredients*

Faber also said he expects the trends to continue. "I think that, based on the last three months of work that I've done, a lot of people are starting to focus on functional supplements and functional blends," he said.

As for what the ingredient supplier side of the pet food industry should do to stay on top of functional trends, Froemming sums it up: "As an ingredient solutions provider, we are working with manufacturers to learn what they're trying to accomplish with their finished products and what trending factors they're trying to incorporate, and to guide them with which ingredients are a good fit and how to utilize them in their finished product."

## 3 PET FOOD TRENDS THAT CONTINUE TO REDEFINE THE INDUSTRY

By Lindsay Beaton

Published January 11, 2018

*Familiar trends from 2017 will continue to evolve as pet food customers take their own food trends and apply them to their pets' meals.*

experts  
clean label  
transparency  
labeling  
FUTURE pet food  
sustainability  
ingredients  
accountability

Every year finds the pet food industry grappling with more complexity, more nuance and greater responsibility to its consumers, and 2017 was no different. With a significant focus on ingredients, e-commerce and what customers want for their pets, the year found companies scrutinizing their packaging, labeling, ingredient composition and even their place in the industry relative to consumer perception. As it turns out, the new year is likely to bring more of the same, with an even stronger focus on pet nutrition, as well as company accountability and responsibility. Let's take a look at what industry experts say is coming in 2018.

As 2018 begins, pet food trends from 2017 continue to evolve alongside customer expectations.

### THE 'CLEAN' MOVEMENT: PET FOOD LABELING AND INGREDIENTS

"Clean label" is a trend in the human food and pet food segments, though what exactly the trend implies continues to change as it brings more attention to itself.

"'Clean label' has no singular definition," said Patrick Luchsinger, marketing manager, nutrition and pet food for Ingredion Inc. "It can mean different things to different consumers — overall it can mean 'pure', 'simple', 'non-GMO' and 'unadulterated' as consumers want to know exactly what is in their food. They want the same for their four-pawed companions, and I expect the pet food segment to be influenced by the 'clean label' trend in the human food segment."

Packaged Facts trends analysis bears this idea out. "The consumer demand for 'clean label' that's storming the food industry will continue to cross over into pet food and treats, as consumers increasingly see pet food as food that's for pets, rather than as a taken-on-faith packaged product," said David Sprinkle, research director for Packaged Facts.

And while ingredients are the most straightforward way to present a "clean label" to customers, the desires behind the trend are more complex than a simple need for simplicity (and its links, however philosophical, to the idea of "clean"). According to the Kerry Health and Nutrition Institute, "clean" not only implies an easy-to-understand ingredient label in consumer minds, but also embodies the ideas of transparency, accountability and sustainability. So, it's no surprise that these ideas come up as other trends the pet food industry expects to see in 2018.

### TRANSPARENT AND ACCOUNTABLE: CUSTOMERS KEEPING AN EAGLE EYE ON PET FOOD PRACTICES

"Ingredient sourcing, transparent labeling and, most importantly, ingredient quality are primary consumer concerns necessary for pet food," said Juan Gomez, global director with Alltech. And as if that all wasn't enough to focus on, customers are also paying attention to pet food manufacturers themselves. "Social, environmental and ethical responsibility: These are key aspects that consumers expect from businesses and brands," said Gomez. "It is a message to corporations that consumers not only want safe and nutritious foods, they also want environmentally friendly and sustainable products."

The transparency trend isn't new, but it is getting more complicated to navigate, and presents real challenges to the pet food industry. "Although not a

new trend but certainly more visible now, I see that an increasing number of companies in our industry struggle with transparency,” said Marcel Blok, owner of Change Stranamics BV. “On the one hand, they know and understand that consumers want and expect more openness. On the other hand, this openness is not seen by manufacturers to be in their interest. All in all, it’s a tough balancing act that does not necessarily enhance credibility.”

To customers, transparent also means approachable, according to Mitin Rathod, global segment strategy and marketing lead for Sensient Technologies Corp., adding yet another layer to the trend. “Fueled by aging pet parents and health-conscious millennials, who both now form a significant growth pool in the pet industry globally, ‘approachable’ health claims and ‘transparent’ brand positioning are the two important trends that are here to stay,” he said.

The Pet Food Institute (PFI) has seen the transparency trend grow, and believes the pet food industry should focus on opportunities as well as challenges. “While trends in specific diet types, ingredients or nutritional philosophy will continue to emerge, PFI sees an overarching and perennial expectation for transparency that will continue to play a significant role in how the industry communicates,” said Mary Emma Young, director of communications for PFI. “We are in an era in which information is immediately accessible at our fingertips, contributing to increasingly vocal desire among shoppers to learn more about how pet food is made or why certain ingredients may be used. This has created an opportunity for pet food makers to join the conversation. We are witness to a similar dialogue in human food production with efforts to help inform and provide facts when opinion can be viewed as more credible than evidence. While the specific trends may vary from year to year, the demand for transparency is here to stay. PFI’s goal is to help meet that broader and growing expectation.”

## SUSTAINABILITY: LOOKING AHEAD TO FUTURE PET FOOD PRACTICES

Linked with both “clean” and “transparent” is “sustainable,” the third buzzword pet food industry experts expect to hear in 2018.

“‘Sustainably produced’ will recognize environmentally friendly practices,” said Nick Manley, communications manager for Bühler Aeroglide. “And sustainability in terms of processing and how pet food manufacturers can increase output and decrease energy use will be increasingly recognized.”

One of the most prominent pet food industry segments where sustainability has been discussed is packaging, where innovators are coming up with technologies to ensure pet food manufacturers have something to promote to their environment-conscious pet owners.

“With the number of millennial pet parents continuing to rise, sustainability will continue to be a huge focus when they are out shopping for themselves or their pets,” said Blaine Johnson, business development director, North America, for Tetra Pak. “To meet this growing demand, brands will continue to shift to more environmentally friendly options.”

All in all, pet food industry experts expect the industry to carry on as it always has: walking the line between what customers want and what pets need, speaking to pet owners on their level while educating them on pet nutrition, and innovating to stay on top of the shifting trends that are so wrapped up in pet owners’ humanization of their furry friends. It looks to be another busy year on the horizon for the industry, but everyone thinks pet food is up to the challenge.

## Grain-free: a continuing pet food trend

➔ Grain free has long evolved from the simple “free of” corn claims at its roots. Now, pet food formulations are full of grain alternatives, and some pet food experts are beginning to see a rebirth of grains in the form of ancient or exotic grains.

“Obviously, the grain-free trend is likely to continue into the new year,” said Levi Wittenmyer, vice president at Best Breed Inc. It was a sentiment expressed by many industry experts.

“The momentum is still strong, even if off slightly from 2016,” said Maria Lange, business group director, Pet POS tracking for GfK. “More than 50 percent of all item introductions in 2017 were grain free, and brands that always said they would not go grain free have done so. Grain-free sales have been growing at 9 percent over the past 12 months, which is significant given that the overall market is flat and that sales for products with grains are declining at a steady -5 percent. You really can find grain-free pet foods anywhere now — they are fully mainstream. And, for me, trends like

‘ancestral’ and ‘high protein’ are subsets of grain-free that are going to continue to drive sales in 2018.”

According to WATT Global Media’s Dog and Cat Food Ingredient Center ([www.pet-ingredients.com](http://www.pet-ingredients.com)), a database of pet food ingredient labels and their contents, 45 percent of dry dog food and 49 percent of dry cat food recipes appear to be grain free (that is, the ingredient statements exclude all forms of rice, wheat, barley, corn, oats, flax, millet, sorghum, flax and soy).

But, as Wittenmyer also pointed out, the maturing grain-free trend may be providing opportunities for whatever the next grain-related step is.

“We are hearing more and more from customers who are questioning whether grain free is always the best when feeding a dry kibble,” he said. “We feel there is a need for both grain-free and healthy grain foods, depending on the need of a particular pet.”





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