



PETS International

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SEPT 2023

SURVEY REPORT

FOOD & INGREDIENTS

Wet food, insects & rendered ingredients

MIDDLE EAST & AFRICA

Country reports & retailer interview

DOG FOOD SURVEY

Consumer attitudes & purchasing behavior





Food and ingredients

Discover the results of a consumer survey on dog nutrition. How is wet pet food doing in this inflationary environment? And we take a closer look at insect ingredients: how the market is evolving, the impact of labeling regulations in Europe, plus an analysis of the landscape in Southeast Asia.



Global pet industry

How are pet supplies affected by inflation? What's the industry's environmental footprint? You'll discover an overview of the latest investments and an update on dog carriers. We analyze data on pet health product sales on Amazon. And what's the current state of pet insurance?



Middle East and Africa

The Middle Eastern pet industry is showing a lot of potential. We take a closer look at the region as a whole and zoom in on Saudi Arabia. While the industry is in development mode in Africa, we look at Morocco, Egypt and South Africa.



Dog food survey

How do dog owners make their decisions about which products to buy? What are their feeding habits? And which proteins do they prefer? [Page 8](#)



Amazon pet health sales

How has the pet health category performed on Amazon? You'll discover the most popular categories and brands, including those for small animals and reptiles. [Page 60](#)



Retailer interview

What has South Africa's largest pet retailer been up to? And what are their plans for the future? CEO Stephen Warner shares his thoughts. [Page 74](#)



BIGGER & BOLDER

MORE NUTRITION, FORMATS, FLAVOURS & LIFESTAGES



schesir

Looking back and forward

As the summer comes to an end in the northern hemisphere, there are signs that we've turned a corner when it comes to inflationary pressure. In this edition, we look back at how the industry has been impacted by inflation over the past year, particularly in the wet pet food category.

We love data here at PETS International. As e-commerce continues to flourish, we have some exclusive insights for you – thanks to Similarweb – based on an analysis of Amazon's pet health category. And in the food and ingredients section, you'll discover the results of a dog nutrition survey we did with Yummypets. Find out where consumers buy dog food, how they select their preferred products, plus their feeding habits, protein preferences and more.

Still on the topic of pet food, insect-derived protein is on the rise, so we dive into the recent developments, investments and future challenges – including regulatory changes in Europe, and insect production in Southeast Asia.

At Zoomark, it was crystal clear that sustainability is another key industry topic. But what is the true impact of pet food on global sustainability? And what can we, as an industry, do in the context of packaging?

Looking ahead, one of our industry's high-potential regions is the Middle East and Africa. Besides investigating how the industry is doing in this region as a whole, we zoom in on the markets in Saudi Arabia, Morocco, Egypt and South Africa – and don't miss our interview with the CEO of South Africa's largest pet retailer, Absolute Pets.

Finally, if you're interested in meeting other leading executives from the industry, join us for the GlobalPETS Forum in January 2024. Go to globalpetindustry.com/gpf for full details.

Enjoy this edition!

Philippe

Philippe Vanderhoydonck
Managing Director

P.S. If you don't receive our newsletters yet, go to globalpetindustry.com and sign up to keep a finger on the pulse of the industry.



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The post-Black Sea grain era

The collapse of the Black Sea grain deal – the safe corridor for grain transport from Ukrainian ports – is impacting supply chains. Many of the alternative channels used, including road, rail and rivers such as the Danube, are proving to be more time-consuming and therefore costly. Experts agree that the grain market's volatility will negatively impact prices of raw materials and also end products.

Since its inception in 2022, the safe corridor had enabled 32.8 million metric tons of grain to be exported. It is believed that Ukraine's monthly export capacity dropped from between 7 and 8 million tons to approximately 4 million tons when the deal came to an end in July.



European pet population grows

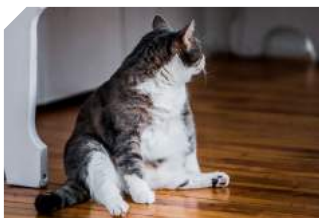


Research by the European Pet Food Industry Federation

(FEDIAF) concludes that there were 340 million household pets in Europe as of 2022. This is an increase compared to 2021, when the total number was 305 million.

Last year's figures break down into 127 million cats, 104 million dogs, 53 million ornamental birds, 29 million mammals, 22 million aquarium and 11 million terrarium pets. Nearly half (46%) of all European households own at least one pet, according to the findings.

Owners' views on pet obesity



The Association for Pet Obesity Prevention (APOP) has warned that 61% of cats and 59% of dogs were classified

as overweight or obese last year. However, despite the veterinary classification, many owners consider it normal for their animals to be overweight.

APOP surveyed more than 1,100 pet parents for its 2022 State of US Pet Obesity Report. The findings revealed that about a third of pet parents regarded their pets as "normal", "ideal" or "thin", before learning from their veterinarian that their pet was actually overweight or obese.



Chewy and Fressnapf expansions

American online pet retailer Chewy has announced plans for its first-ever expansion into international markets. The company intends to launch its services in Canada's capital Toronto in the third quarter of 2023. This is expected to intensify online competition in the country as Chewy aims to secure as much market share as possible. It is believed that 23% of all pet spending in Canada is made online.

Meanwhile, Fressnapf plans to continue investing in Central Europe, mainly Hungary and Romania, which the company describes as an "attractive" and "promising" market. The German pet retailer's goal is to have at least 80 stores in Hungary and over 100 stores in Romania.

Which US states make the biggest contribution to the pet food industry?

According to new data released by the American Feed Industry Association (AFIA), the 523 pet food plants in operation nationwide generated a revenue of \$102.3 billion (€94.2B) in 2022. The states of Missouri and Kansas were the most significant in revenue terms, accounting for \$12 billion (€11B) and \$10.4 billion (€9.5B), respectively.

When it comes to pet food facilities, Pennsylvania has the most (59), followed by Michigan (33), Wisconsin (28), Nebraska (27) and Washington (26). AFIA also concludes that the most pet food is produced in the US state of Texas (443,049 tons of processed ingredients), followed by California (401,804 tons).



EU funds algae project applicable to pet food

Under the Horizon Europe program, the European Union has provided €12 million (\$13M) of funding to the AlgaeProBANOS (APB) project. This will push micro and macroalgae applications in the pet food and aquafeed sectors, among other industries.

The APB project, which began in April 2023 and is scheduled to run for 4 years, is intended to increase the scale of production to bring circular microalgae-based products closer to the commercial market. It is expected to run 6 business cases across the Baltic and North Sea region and introduce 8 innovative and sustainable algae-based products to the market.



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Super zoo opens 350th store

Super zoo, owned by the Plaček Group, has opened the doors of its 350th store in Pilsen, located 90 kilometers west of the Czech capital of Prague. The company claims it has opened the new store in response to customer demand, after seeing an increase in year-on-year sales of around 12%.

Mars to save 1 million transport miles

Pet food manufacturer Mars has announced the opening of a new warehouse in London in partnership with transport carrier DHL. This new London Thames Gateway facility is part of a £350 million (€409.6M / \$445.1M) investment.

By streamlining the inbound and outbound distribution of Mars UK's product portfolio, the project will reduce the company's logistics carbon footprint by 7.7% and remove a million transport miles a year from roads.

The new facility boasts 3,700 solar panels, which cover 27% of the site's power usage, and high-frequency equipment charging, reducing energy usage by 30%. It also features rainwater harvesting and has automated pallet storage and retrieval (ASRS) technology in place.

Pets at Home invests in cultivated meat

The British pet retailer Pets at Home recently invested in cultivated meat producer Good Dog Food as part of the £3.6 million (\$4.5M / €4.1M) seed funding announced by the firm earlier in the year.

Pets at Home will provide Good Dog Food with strategic assistance in bringing its cultivated meat to the market. According to Owen Ensor, CEO of Good Dog Food, the next step is to move toward commercialization, including by conducting nutritional analysis and feeding trials.



Dogs account for biggest share of US pet medication sales

US pet medication sales reached \$12 billion (€10.9B) in 2022, according to a new report from Packaged Facts. Dog medications accounted for the biggest percentage (69%) of these sales.

Most American pet parents regard flea/tick and heartworm medications as the most important products in the pet health category. This is reflected in the figures, with nearly 6 out of 10 pet medicines sold in the US being parasiticides, which include flea/tick treatments, heartworm preventatives and deworming medications.



Pet supplies prove popular on Amazon Prime Day 2023

Pet supplies were the 12th most popular category during this year's Amazon Prime Day in July. The category reached sales of \$300 million (€271M) during the annual deal event, according to Similarweb.

Pet supplement Zesty Paws was the top brand, achieving a revenue of \$7.6 million (€6.8M) and a 9% improvement compared with last year's Amazon Prime Day. The Orlando-based company, part of the H&H Group, had been the second most popular brand in 2021 and 2022.

In second place this year was Seresto, a firm that produces flea and tick collars for dogs and cats, which hit \$6.6 million (€5.9M) in sales during the 2-day event. With revenue of \$5.4 million (€4.8M), dog treats brand Temptations performed third best in the pet supplies category on this year's Amazon Prime Day.

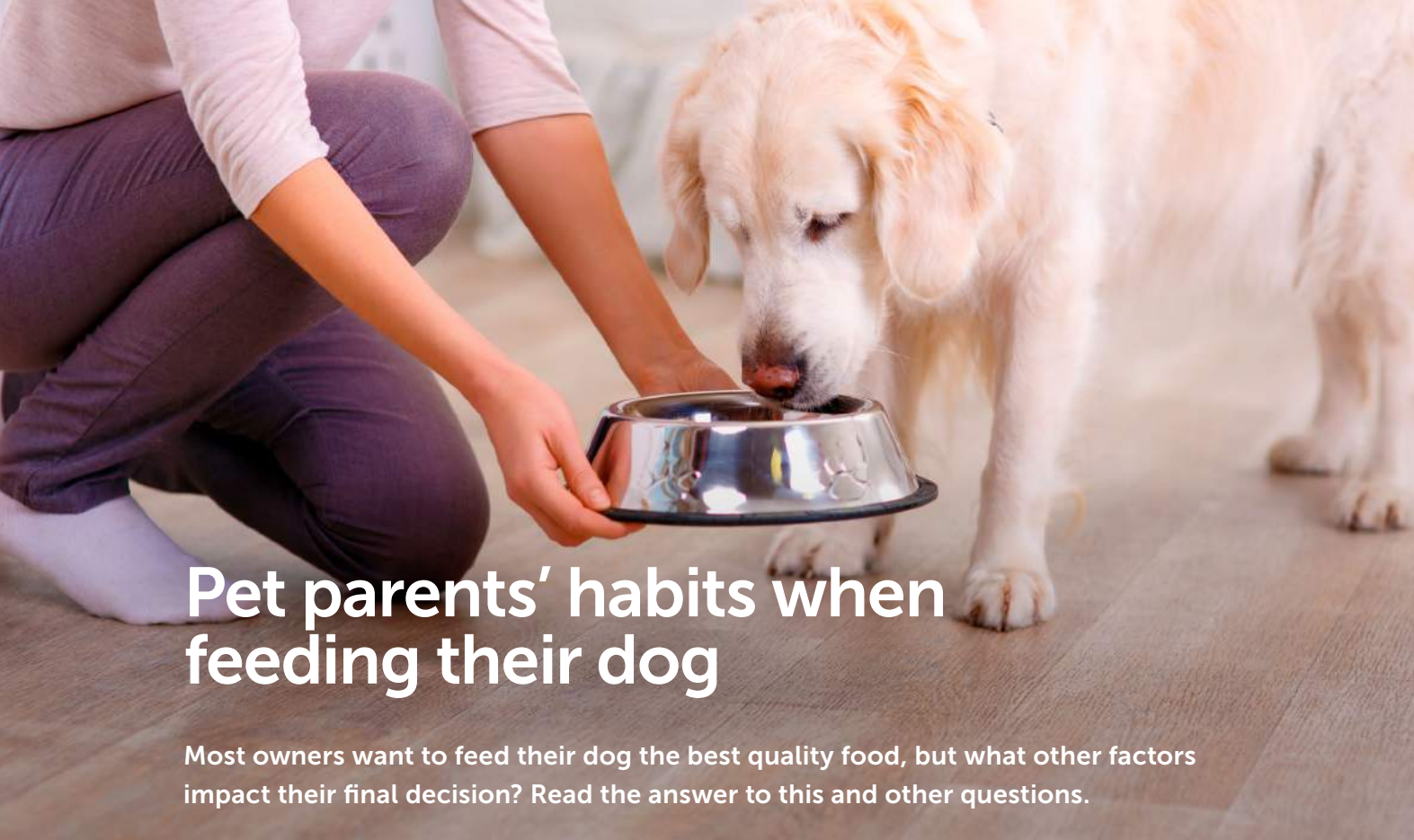




Food and ingredients

Discover the results of a consumer survey on dog nutrition. How is wet pet food doing in this inflationary environment? And we take a closer look at insect ingredients: how the market is evolving, the impact of labeling regulations in Europe, plus an analysis of the landscape in Southeast Asia.

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Pet parents' habits when feeding their dog

Most owners want to feed their dog the best quality food, but what other factors impact their final decision? Read the answer to this and other questions.

Nutrition is essential for a healthy pet. In a Pets International survey conducted in partnership with Yummypets, we asked nearly 1,500 pet parents in Belgium, the UK, Canada, France and the US how they feed their dogs, which kind of pet food they prefer to buy and where they buy it.

Feeding habits

As much as 65% of dog owners prefer feeding their pets with dry kibble, with French (83%), Canadian (75%) and Belgian (68%) respondents scoring above average. More than 3 out of 10 respondents served both wet and dry food together, with a notably high percentage of British owners doing so (56%).

More than half (56%) of pet parents feed their dog twice a day, followed by parents who feed them once a day (20%).

3 out of 10 pet parents decide how much to feed their dog based on the packaging instructions, followed by the physical condition of the dog (27%), and based on vet's recommendations (22%). While 40% of UK pet parents follow the recommendations given on the package, 31% of Belgian owners prefer to follow their vet's advice.

As for treats, 63% of pet owners admit to giving them every day to their dog. In the UK, 75% of pet parents do so. Only a negligible 2% of respondents say they do not give their dog treats.

Selecting the right product

Most pet parents purchase mid-priced dog food (40%), followed by premium (37%), super premium (9%) and low-cost (6%). Most French (46%) and Canadian (41%) owners prefer to purchase premium pet food for their dog, while nearly half of British pet parents (47%) opt for the mid-segment.

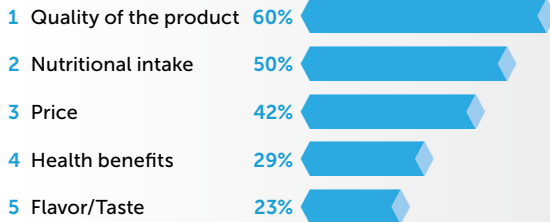
When choosing dog food, half of the respondents say they check the ingredient list for nutritional value, health benefits or ecological impact. French and UK consumers are the most inclined to do so, with 61% and 62% respectively.

For 27% of pet parents, a vet's recommendation is essential for deciding which product to buy. 23% of respondents said they were open to trying new products, brands and flavors.

Balanced food intake (70%), easy digestion (56%) and healthy skin and coat (49%) are the most important

benefits that pet food can bring dog owners. When it comes to paying more for a food product that is more suited to the dog's needs, 76% of respondents are willing to take on the extra expense.

Top criteria when purchasing dog food



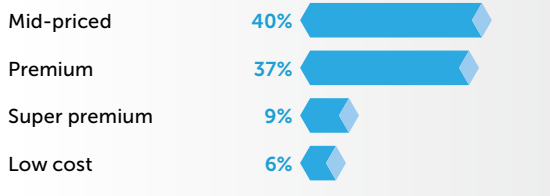
Retail trends

When asked where they buy dog food, 47% of pet parents list pet bricks-and-mortar stores. In fact, more than half of Canadians (59%) and Belgians (53%) prefer this channel.

Supermarkets follow as the second preferred channel (40%), with most Americans (55%) buying dog food there.

Online represents the third biggest sales channel, with 34% of pet parents opting for e-commerce. A majority of British (49%) and French (46%) dog owners prefer to buy online, whereas fewer Belgian (28%) and Canadian (9%) owners use this channel.

Dog food purchase by segment



Most pet parents (60%) purchase dog food after assessing product quality, followed by nutritional intake (50%), health benefits (29%) and flavors preferred by their pet (23%).

Most French buyers look for product quality and nutritional intake. UK buyers are inclined toward the latter. US and Canadian buyers are brand driven, whereas Belgian dog owners find packaging and promotional offers important.

Get the full report

Would you like to see a complete analysis of all the survey results?

Discover full insights into pet owners' preferences and buying behavior around dog food.



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Choice of protein

The survey concludes that more than 5 out of 10 pet parents prefer beef as the protein of choice, followed by salmon (44%), lamb (38%) and duck (30%). Wild game, veal, trout and other fish lag behind, with under 20% of respondents choosing these ingredients.

An incredible 80% of respondents agreed that nutritional differences exist across varied protein sources. Most pet parents (65%) are open to buying pet food formulated with alternative proteins, with British (78%), American (76%) and Canadian (73%) owners the most likely to do so.

When asked which alternative proteins they would feed to their dog, most dog owners would choose egg (77%), algae (61%) or vegetables (63%).

Nearly half of the respondents said they would be open to giving their pets insect proteins, although this specific category is the one that also generates the most negative responses. More than 20% of them would not offer such alternative protein to their dog.

Most respondents (63%) of the survey have 1 dog, most of them aged between 1 and 7 years old. More than 4 out of 10 also own a cat.

Special thanks to *Yummypets*



Muskaan Gupta
 Associate News Editor
 GlobalPETS



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Promising markets in the world of wet pet food

Although the wet pet food category has suffered from the trading-down trend among consumers, it still has potential. These are the markets to watch.

In 2023, the market for wet dog and cat food is estimated to reach \$35 billion (€31.5B), accounting for 27% of the total sales of dog and cat food worldwide. Cat food already makes up 61% of the wet pet food market, and in the next 5 years, it is expected to grow at a faster pace than wet dog food due to the rising popularity of cats, especially in the Asian and Latin American markets.

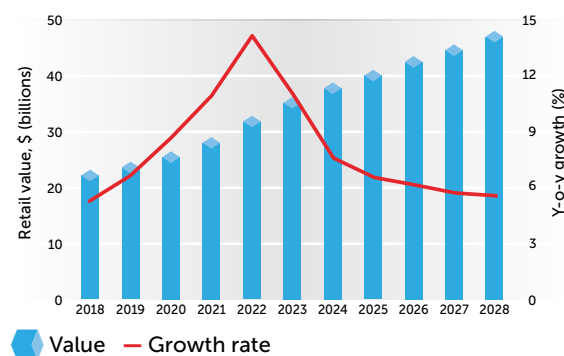
State of play in growth terms

The COVID-19 lockdowns boosted growth in the pet population, resulting in stronger demand for pet food. This translated into a high growth rate of 5% for wet pet food in 2020. The market continued to grow in 2021, albeit at a lower rate (3.3%) than at the beginning of the pandemic.

In 2022 the wet pet food market stagnated, with volumes increasing by less than 1%. This was partly caused by the post-pandemic return to the office disrupting people's interaction with their pets, leading to higher rates of abandonment. Additionally, the wet pet food market was further hampered by the

economic downturn caused by the invasion of Ukraine and the resulting high inflation. Being generally more expensive than dry pet food, the wet category was hit harder as consumers traded down and looked for cheaper options. Nevertheless, the wet pet food market grew by 13% in value terms (based on fixed currency exchange rates) as the rising costs for transportation, ingredients, packaging and processing impacted unit prices.

Wet pet food value global dynamics, 2018-2028



Source: Euromonitor International

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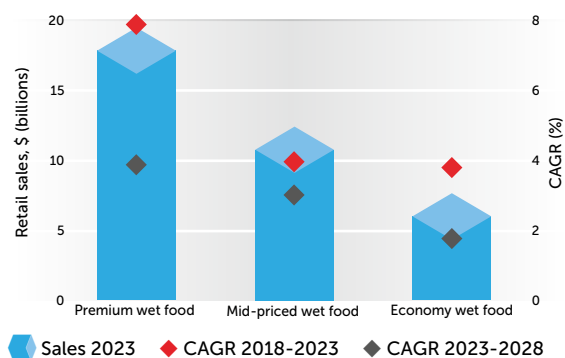
Today, the demand for wet pet food continues to grow, albeit slowly. Besides value increases due to ongoing high inflation, volumes are expected to increase by 1.4% in 2023. High costs mean that purchasing patterns are changing and producers are searching for additional margins.

Popularity of premium options

The rising pet food unit prices are putting pressure on growth rates across all price segments of wet pet food, as consumers switch to cheaper dry options and feed pets with leftovers more frequently. Premium food has been the fastest-growing segment in the wet pet food market over the past 5 years and is expected to retain this position in 2023, with a predicted increase of 2% in volume and 10% in value terms (due to the inflationary effect) to reach \$17.6 billion (€15.8B). This is because pet owners still prefer to economize on their own consumption rather than on the diet of their pets when facing declines in income and purchasing power.

The premium category is expected to remain the fastest-growing segment over the next 5-year period, although at much lower rates than in the past. Based on constant terms to eliminate the inflation effect, the estimated compound annual growth rate (CAGR) for premium wet pet food is 3.8%, while mid-priced and economy categories will grow at 2.9% and 1.8% CAGR, respectively.

Retail wet pet food sales by price, world, 2018-2028



Source: Euromonitor International

Developing markets

North America and Western Europe are the biggest markets for wet pet food, accounting for 70% of global wet pet food sales. As mature markets, they show

The demand for wet pet food continues to grow, albeit slowly.

modest growth rates, whereas emerging markets are growing at a much faster pace. For example, Asia Pacific accounted for 7.6% of wet pet food sales in 2018. By 2028, this number is expected to have increased to 11%.

In absolute terms, the main contributors to the wet pet food market over the next 5 years will be the US – thanks to its large established domestic market – and China. This is almost entirely due to wet food for cats, which continue to gain popularity in China since they are cheaper and easier to keep in a small apartment in comparison to dogs.

In terms of growth rates, meanwhile, the leaders are expected to be the emerging markets of Vietnam, Brazil and Indonesia for wet dog food, and Indonesia, Mexico and Saudi Arabia for wet cat food. The Indonesian market is benefiting from the e-commerce boom, with fast delivery services and online channels such as WhatsApp. In line with this trend, in 2022 Royal Canin launched its own app through which Indonesian consumers can purchase pet food directly.

The smallest markets for wet pet food globally are the Middle East and Africa. These markets have a scarce pet population, an underdeveloped culture of using prepared pet food and a small middle class, so most consumers cannot afford the relative expense of wet pet food. Nevertheless, wet cat food is a promising category in the Middle East and Africa region, especially in Saudi Arabia, where over the next 5 years it is expected to grow strongly from a low base at 10% CAGR in volume terms.

Leading players

Between them, Mars and Nestlé cover 54% of the wet pet food market. In 2020, supply chain disruptions meant that Mars was outranked by Nestlé, which consolidated its leading position in the subsequent 2 years. From 2022 onwards, Mars reinforced its position by revising its portfolio, investing in existing facilities and acquiring companies such as the premium producer Champion Petfoods in 2023.

Wet cat food is a promising category in the Middle East.

Mars is developing rapidly in the emerging markets of Latin America, Eastern Europe, the Middle East and Africa. Nestlé is also gaining market share by developing premium wet cat food and investing in emerging markets such as Thailand. Other top-end market players – General Mills with its Blue Buffalo brand, and Freshpet – demonstrate a strong dynamic in the premium wet pet food segment. The big companies benefited from the economic downturn in 2022 thanks to their stronger resilience during times of increasing operational, logistics and ingredient-related costs. Many smaller companies have been forced to leave the market, facing the absence of high margins and declining consumer purchasing power.

In Asia Pacific, where cat food accounts for 71% of total wet pet food retail sales, the top players are mainly focused on cats. As the market is much more fragmented than other markets around the world, small local brands are developing quickly. As a result, the market share of top companies such as Mars, Nestlé, Maruha Nichiro Holdings and Unicharm is shrinking.

Future outlook

Over the next 5 years, market players' investments into new technologies will drive the development of new processing methods within the category, such as dry-freeze, raw and biologically appropriate raw food (BARF). Such technologies will make wet pet food healthier and more functional, adding value for pet owners and creating higher margins for producers.

Overall, the wet pet food market is expected to demonstrate resilience to high inflation, and to benefit from the increasing cat population, pet humanization and further growth of emerging markets. ♦



Ekaterina Tretyakova
Research Consultant
Euromonitor International



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Get to know your product!



With prices rising, pet food producers are looking for ways to optimize their formulas and develop new products that are tasty for pets.

To understand what changes can be made to optimize products or create a better-performing product, it is important to be aware of all the variables that can determine success. Next to quality and nutrition, taste is one of the major factors that influence possible success.

Key considerations

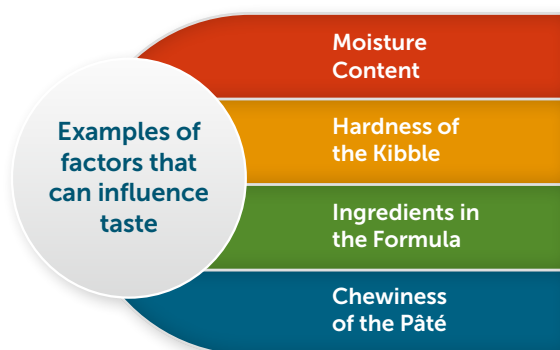
It is known that taste is not only related to the presence or absence of a palatant. There are multiple factors that influence taste. To boost the success of pet food products, it's essential to have a good understanding of such factors and their positive (or negative) impact on your product.

Do you know if the coating of your kibble is performing well? What about the freshness of the ingredients used? Is the texture of your wet food or kibble optimal?

Finding answers to these questions calls for a sound understanding of your current product, as well as its production process. This is the basis for finding out where palatability improvements can be made.

How AFB can help

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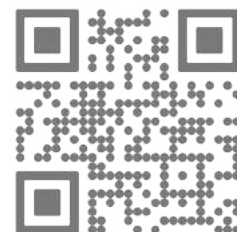


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Rendered ingredients in pet food: is the future looking bleak or bright?

Pressures on pet food production are challenging the rendering industry, but the Pet Food Alliance is proactively working on a positive outcome.

Over the past several years pet food manufacturing in the US, as well as globally, has seen unprecedented gains of almost 5% annually projected through 2025. These increases have been accompanied by increased diversity of products and trends for higher-quality pet foods and novel ingredients. As well as continued increases in demand, the pet food industry has increased its quality standards, building pressure on the production, cost and sustainability of rendered ingredients.

Demanding pet parents and retailers

Current pet parents have become more educated on nutrition, and also have expressed the desire for their pets to consume diets more similar to their own. Additionally, owners want the highest-quality ingredients for their pets and are requesting additional visibility in labeling and higher-quality products. Logistics also plays a role, as pet food manufacturers of dry kibble products are often asked by retailers to produce products with up to 2 years shelf life which requires the highest-quality ingredients to ensure the stability of the final product for this length of storage.

Rendering industry faces challenges

The outlook for the United States pet food and rendering industry can look a little troubling. Severe drought in the western half of the country has decimated the cattle industry with herd numbers at their lowest in decades and not projected to reach pre-drought populations until 2027. Beef products for use in pet food production will likely not increase for several years to come, causing higher prices and a limited supply of beef, tallow, and meat and bone meal into the next decade.

Another species that is experiencing reductions in the production of pet food ingredients is poultry. Poultry fat is widely utilized as a palatant sprayed on the external surface of pet food kibble. While 2022 was a record with over 9 billion chickens produced in the United States, safety improvements in poultry processing resulted in reductions of poultry fat as it is carried into the wastewater flow. Additionally, sustainable nutrition practices and breed improvements have resulted in efficiencies of production which have resulted in birds that place less fat and accrete more muscle year after year.

[▶ SEE NEXT PAGE](#)

Retailers' demands for extended shelf life have also increased the need for pet food producers to set limits on the quality of fat they purchase.

The renewable fuels sector is becoming an important customer group for renderers. Animal fats utilization in biofuels continues to increase annually and while only around 25-30% of US production is going to this market, the prices have been higher than in previous years. While the US doesn't eliminate the use of any categories of fats in pet food, most often quality and purchasing specifications eliminate a portion of lower-quality fats in pet food production and play a part in the price levels of the market.

Therefore, with pet food producers facing some shortages in protein and lower-priced fats, along with meat and poultry processors reducing the output of ingredients going to rendering, the global pet food market is struggling to find economic replacements for these ingredients.

Fighting back

While the story makes it sound like the industry is beginning to falter, there is hope. Through the efforts of Pat Tovey from the Pet Food Institute and Dr. David Meeker from the North American Renderers Association a decision was made to alter this course. In 2017, Dr. Jennifer Martin, a professor at Colorado State University, was enlisted to help guide the industry in fruitful discussion and decision-making, thereby forming the Pet Food Alliance (PFA).

The goals of this group were to combat negative market turns and to proactively capitalize on opportunities for growth through mutual collaboration and, of course, backed by science. For the last 6 years, the alliance has grown to help guide both the rendering and pet food industry through the troubled waters that seem to be looming.

A working group on product safety has focused on the reduction of adulterants in pet food. Utilizing a preventive control of potential hazards approach, as required by the Food and Drug Administration Center for Veterinary Medicine, adulterants like foreign material, microbial hazards, and chemical adulterants are addressed. Since pet food does not currently have

The renewable fuels sector is becoming an important customer group for renderers.

the benefit of federal funding, this group has initiated several research projects on the potential risks involved in the transport of ingredients from rendered facilities to pet food manufacturers.

The Product Quality working group is dedicated to the development of achievable quality standards for guidance to the industry. Protein and fat oxidation in rendered products is not fully understood and collaborative experiments are designed to determine and measure thresholds where oxidative reactions negatively impact consumption of food by pets.

Finally, a third group is currently working to mutually address opportunities surrounding consumer perceptions (or misperceptions) and sustainability. Rendering aligns with many UN sustainable development goals and is an important part of the production agriculture circular bioeconomy. Future projects within this working group will likely include modeling the complete cycle of raw material carbon footprint scores and education projects to better elucidate the nutritious ingredients included in pet foods.

Looking to the future

So, there is hope on the horizon and a better appearance of a positive outcome through the collaborative efforts of the Pet Food Alliance. While discussion can often be energized, the focused efforts and cooperation of leaders from both industries proactively working toward science-based solutions to everyday problems, set an example that should be followed everywhere. ♦



Charles Starkey
North American Renderers Association (NARA)



Jennifer Martin
Colorado State University



Caring for dogs since 1992

Carry Pet Food is a European manufacturer of pressed, premium chews for dogs.

Carry Pet Food produces high-quality private label chew treats for dogs, using beef, horse and deer rawhide, as well as fish skin and vegetables. It has created new standards for various types of chew treats – using the best raw materials. With the health and happiness of dogs as its top priority, the manufacturer collaborates with local dog breeders and pet stores.

In 2020, Carry Pet Food became part of VAFO.

Customizable treats

While always supporting its customers as they build their own brand, Carry Pet Food continues to develop the pet market segment of chew treats and snacks for dogs.

The company's specialty is pressed bones with filling, chew sticks, and rolls. Customers can choose from a wide variety of lengths, shapes and colors, as well as complementary elements such

as meat, fruit and functional additives. Besides the rawhide and fish skin treats, there is also the VEGE line, based on vegetables used in traditional Polish cooking.

Natural ingredients and high standards

Carry Pet Food only uses high-quality natural ingredients, and its suppliers must meet a number of exacting quality standards. None of its products contain sugar, gluten or grain. Nor does it use any chemicals, artificial colorants or preservatives.

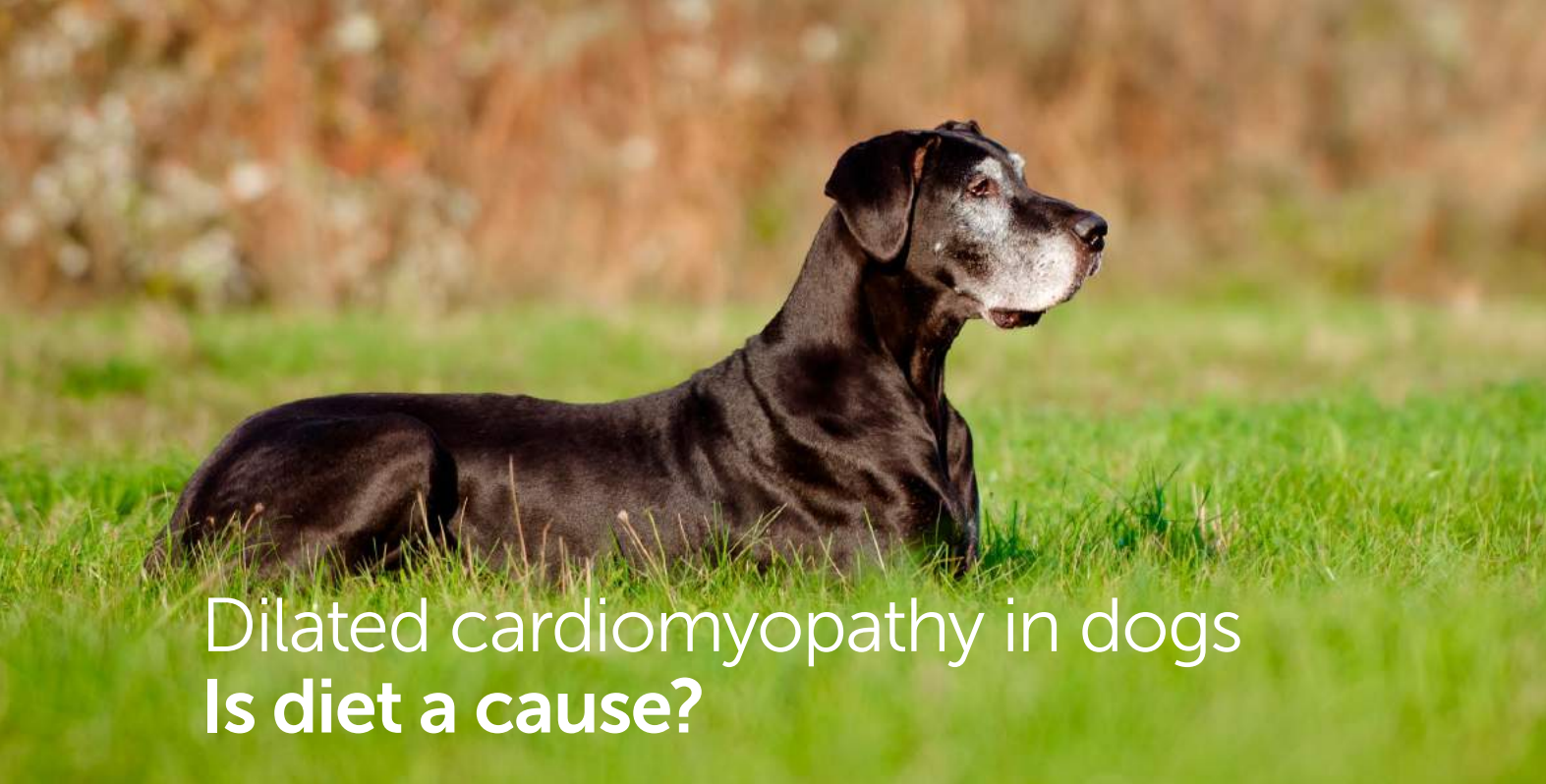
Fish skin is rich in omega 3 and omega 6. Rawhide is a natural source of animal protein and collagen, and deer and horse rawhide chews are recommended for dogs with food intolerances or allergies. Excellent palatability is ensured, thanks to a filling made with tripe and bull pizzle. The chews are produced without the use of any additives.

Human-grade production

The company's state-of-the-art production facilities are subjected to regular veterinary and sanitary inspections. Strict adherence to good manufacturing practices and good hygiene practices ensures that operational safety is on a par with human food manufacturing. In addition to modern automation, some of the steps in the production process are done by hand, such as rolling the raw chews and weighing them prior to drying.

Carry Pet Food is one of the few companies in the pet industry with such a wealth of experience in producing chew treats for dogs in Europe. If you already have a pet food brand, or are currently planning to launch one and want to create a unique product line, Carry Pet Food is the partner you're looking for. ♦

Carry Pet Food Sp. z o. o.
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carrypetfood.com



Dilated cardiomyopathy in dogs Is diet a cause?

The relationship between the heart muscle disease DCM and dog nutrition continues to be the subject of research – and debate.

5 years ago, the US Food and Drug Administration (FDA) launched an investigation into a spike in cases of canine heart disease thought to be related to diet. But are we any clearer about this strange disease?

DCM: the basics

Dilated cardiomyopathy (DCM) is a type of heart disease where the heart becomes enlarged and stops pumping effectively. Symptoms include coughing, inability to exercise, or fainting episodes, and can include sudden death.

Some dog breeds (mostly large and giant ones) are more prone to DCM. There is a strong genetic link, with predisposed breeds including Doberman Pinschers, Irish Wolfhounds, Great Danes, Boxers and Saint Bernards.

However, genetics isn't the only cause of this complex disease. Diets low in taurine can cause DCM, and it was previously thought that hypothyroidism was a cause.

So, what's changed?

In 2018, the FDA released a statement alerting pet owners and vets to a recent rise in DCM cases in non-predisposed breeds. They started an investigation into the dogs' diets as a possible cause.

Following this announcement, over 400 further cases of DCM were reported to the FDA. However, despite over 1,000 cases being reported, this is still a very small proportion of dogs in the US. Other countries did not report a large number of additional cases, and the numbers reported to the FDA reduced again by 2021.

It is possible that this 'spike' in cases was more related to increased awareness than to an actual problem. This is supported by research from the University of Missouri showing no significant increase in DCM cases in the US from 2000-2019, despite a huge rise in grain-free feeding. It's worth noting that this study was on a national scale – a complex cause including geographic factors may have impacted the increase in cases the FDA spotted, which would not have shown in the research.

There is more evidence that these cases were above the usual DCM reports. For one, the cases reported to the FDA did appear to be different from 'normal' DCM. They were reported in non-standard breeds and – unlike normal DCM, which is considered irreversible – some of these dogs improved once their diet was switched, as reported in the *Journal of Veterinary Cardiology*. So, it's likely that this was an 'outbreak' of a different form of DCM.

In 2018, the FDA alerted pet owners and vets to a rise in DCM cases in non-predisposed breeds.

Is diet to blame?

There has been a huge amount of research done on the link between diet and DCM, with no definitive answer.

A very recent study from researchers at the University of Illinois found measurable changes in dogs' heart function after just 28 days on a diet formulated with pea flour, but not when they were fed diets formulated with lentil flour, rice flour, or a generic commercial food. It was a very small study, with just 8 dogs, but does add weight to the link between diet and non-hereditary DCM.

Research published in *Nature* looked at the molecules present in variable amounts in diets associated with DCM versus those that weren't. They spotted 111 statistically significant differences and found that most of these were attributed to 4 ingredients – the presence of peas and lentils, or the absence of chicken/turkey and rice. It's likely that it's a complex combination of dietary molecules. A further study looked at the metabolites in the blood of dogs being fed DCM-associated diets versus traditional diets, and found 17 metabolites that differed significantly.

Despite all this excellent research, no definitive cause of DCM in these dogs has been found. While it's still thought that diet could be part of the answer, it is likely that it's a complex interplay of genetics, diet, and other diseases. Cases seem to have dropped again, causing the FDA to stop giving routine updates on the situation.

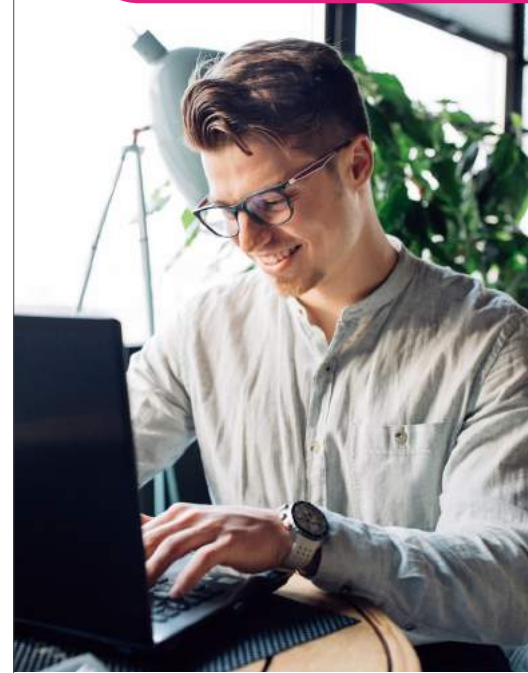
Where do we go now?

Research into this is ongoing. The FDA is continuing to monitor the situation but doesn't believe there's enough evidence to make any diet recalls. Everybody who works with or lives with dogs should be mindful of the symptoms of DCM and visit a vet if they have any suspicions, as early diagnosis improves outcomes. ♦



Dr. Joanna Woodnutt
Veterinarian
Royal College of Veterinary Surgeons (RCVS)

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Josera means passion – for dogs, cats and horses, for super-premium quality from Germany, and for sustainable solutions.

As a pet food producer based in Kleinheubach, Bavaria, Josera brings over 80 years of experience to the table. No artificial colorings or flavorings are added to any of the brand's dry or wet food. This results in highly digestible and well-tolerated recipes that have been shown to enjoy excellent acceptance. The raw ingredients and recipes are developed and regularly tested by nutrition experts in Josera's own accredited laboratory.

Quality in the feeding bowl

From leisurely couch potatoes to agile athletes, and from puppy to senior age, Josera offers a huge selection of dry food. In 2021, the company launched its Meat Lovers wet food range, which contains exactly what it says on the package: even more delicious meat!

Picky cats will be delighted to discover the extensive Josera cat food world. The range includes various dry foods and equally tasty wet foods in fillet or paté form – which recently also became available in a practical,

recyclable can – plus crunchy snacks for both cats and dogs.

Thanks to the new veterinary line Josera Help, supportive complete foods for special health challenges are now available. Whether there is a diagnosis of heart disease, diabetes, struvite stones or chronic renal insufficiency (CRI), each formula contains the right ingredients to support the individual dietary approach and provide tailor-made help.

Responsibility for the environment

At Josera, the aim is to avoid CO₂ where it's possible, reduce CO₂ where it's not, and compensate for surplus greenhouse gases through other projects. This requires continuous consideration of the entire value chain of all products, without losing sight of consistently high quality.

As a result, the production activities are climate neutral. A variety of on-site measures help to achieve this, including a state-of-the-art production plant, the

company's own energy center to generate power for outstanding primary energy efficiency, and the storage of products in a high-bay warehouse made from locally sourced PEFC-certified wood. To promote sustainability, company employees are encouraged to use the work bikes or electric cars to travel between sites.

To compensate for all its unavoidable on-site emissions, Josera has been actively involved for many years in Tanzania's Ntakata Mountains forest conservation project. This benefits the local inhabitants, as well as the flora and fauna of an area comprising 216,000 hectares. ♦

For more details, read the company's latest sustainability report:

josera.de/nachhaltigkeitsbericht2021

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Insect pet food: an update

The rapidly growing number of start-ups and technological developments are helping advance this sector.

In 2021, Future Market Insights valued the insect pet food market at \$7.09 billion (€6.39B). Today, the same research firm puts this sector at \$13.41 billion (€12.09B) – that’s almost double the value in 2 years. The category is expected to grow at a yearly 10% by 2033.

Expanding footprint

Among a flurry of new start-ups expanding this industry, there’s an increased focus on providing insect ingredients to pet food manufacturers.

French insect farming firm Ÿnsect has recently undergone an identity change and moved its ingredient product portfolio to be part of Sprýng. The B2B2C focus of Sprýng is key, with its 4 insect-derived ingredients boasting the highest level of protein on the market at 71%.

Ÿnsect recently secured \$174 million (€160M) in Series D funding, and expects to close a second round of investment later in the year. The company also hopes

to accelerate its international presence in markets with greater demand for premium pet food products, including the US, Mexico and Europe.

More investment

Ÿnsect is far from the only insect pet food brand receiving a capital injection. UK start-up Tuggs, which claims to be the country’s first insect-based fresh dog food producer, raised £500,000 (€560,000 / \$641,000) in a pre-seed round earlier in the year.

The brand offers an experiential approach: pet parents are asked to fill in an automated questionnaire about their animals, the results of which dictate a personalized meal plan.

Tuggs worked with nutritionists to create the proprietary algorithm to work out how many calories a dog needs daily. It combines this with analyses on each dog breed in the UK, producing a metabolism and maturity score to make a tailored food plan. [▶ SEE NEXT PAGE](#)

The company aims to tackle pet obesity – over half of British dogs and cats are believed to be overweight – and make pet owners' lives easier. It's a tech-led approach that's a marker of the sector's direction.

Sustainability

The other aspect that insect-based food is riding its wave on, is sustainability. "We've found the nutritional composition of the insects that we use to be very similar to established proteins such as beef – except the black soldier fly (BSF) uses a fraction of the carbon 'paw print'," notes Tuggs' founder Harry Bremner. "You're reducing your reliance on livestock without compromising on any nutritional benefits."

Finland will see its first circular insect protein production plant by Volare, which is expected to produce 5,000 tons of insect protein and lipids a year. The ingredient supplier prides itself on using low-value materials – insects, in this case – to make high-quality proteins and oils. And the insect residue that can't be turned into ingredients is used in fertilizers.

French insect company Innovafeed is building a BSF larvae production facility to manufacture oil and protein in Illinois, which uses an industrial symbiosis model that could reduce the factory's carbon footprint by 80%. BSF oil is also posed as a greener alternative to tropical oils such as coconut and palm, potentially preserving the natural habitats of orangutans and other endangered species, as well as presenting an eco-positive oil option to pet food brands.

The power of waste

Volare takes waste from the food industry and feeds it to the BSF larvae, turning them into proteins and fats in just a few weeks. BSF, which has 17 enzymes in its belly (compared to 8 for humans), is an "amazing biomaterial converter", according to the company's founder Tuure Parviainen.

"BSF can digest food waste and organic materials more efficiently than any other known insect species," he explains. "Part of this is because of the symbiotic nature of the microbes in its gut. This allows the fly to increase its weight fivefold in a single day. Most amazingly, it stops eating when fully grown, which only takes 14 days."

Collaboration in the sector, further research and more veterinary approval are essential.

Since raising €1.1 million (\$1.2M) in 2021, Volare has supplied its ingredients to Alvar Pet and Leo & Wolf, for dog treats and bird seed bars respectively. It is also collaborating with fish feed manufacturers, and plans to build similar facilities in the Nordics and in Central and Eastern Europe by 2030.

British supermarket Tesco plans to halve its food waste by 2025 and is exploring how insect farming could be a sustainable solution to achieve this target. Sarah Bradbury, Group Quality Director at Tesco, believes that by diverting food waste to grow insect protein, Tesco can turn surplus food into a "much more environmentally friendly commodity".

The potential

Across the Atlantic, Canadian insect protein start-up Entosystem recently opened a new plant in Quebec. A year after securing over €41.5 million (\$46M) in funding, the new factory has the largest production capacity for larvae (up to 5,000 tons annually) in North America.

Entosystem's initial products, which are derived from BSF, are geared toward the pet food industry. The new facility has a zero-waste focus: it recycles organic matter from the local agri-food industry (otherwise destined to be discarded) and turns it into insect meal, doubling down on the sector's sustainability credentials.

In Russia, insects could make up 5% of all protein in pet food in the next 3 to 4 years. That's according to Denis Ter-Akopov, CEO of Moscow-based ONTO Biotechnology, which produces pet food made from zophobas (a type of beetle), mealworms, BSFs and dried crickets.

Russia is barely manufacturing any prescription pet food, and in the wake of its war with Ukraine, foreign companies have pulled out. ONTO is hoping to plug this gap with prescription and specialized pet food offerings, and is establishing a new production line to accelerate output.

Future challenges

Volare's founder Tuure Parviainen believes the confluence of developing pet food that's planet-friendly and tastes good is what's driving the insect protein industry.

According to Tuggs' founder Harry Bremner, the UK is "5 to 10 years behind the rest of Europe" when it comes to insect pet food, mainly due to the impact of Brexit. "Companies would rather invest in European farms that have access to a bigger market," he admits.

"In Europe, there are many insect farms, but most are in early stages, so over the short term, I foresee challenges in the supply of fresh insects... This will be overcome only in time, as these farms need time to grow and continue with research and development."

Funding and research

Funding is essential in this space: as with other alternatives and innovations, most insect-based pet food is pricier than conventional products.

Parviainen attributes this to supply and demand: "Currently, there isn't enough supply to fill the demand. Scaling the production is the key step. We also see our dry processing technology as key to reducing the production price and... energy use."

Collaboration in the sector, further research and more veterinary approval are essential for the development of insect protein in pet food. "More and more vets are endorsing insect products, especially for hypoallergenic diets," says Tuggs' founder Harry Bremner.

The British company is also looking to commission a peer-reviewed study comparing the microbiome of dogs being fed commercial kibble, before transitioning to its insect-based food. ♦



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Based on 12 years of R&D in insect rearing, Agronutris has developed an innovative, high-quality and sustainable solution to respond to the increasing demand for protein. The first factory of this French biotech company is now producing insect meal, oil and fertilizer.

This is the story of a meeting. The meeting between an entrepreneur convinced that insects are a solution to feed the planet and an agribusiness specialist, convinced that we need to rethink our organizations and turn to shared governance.

Cédric Auriol and Mehdi Berrada created Agronutris with the vision that bioconversion is an alternative solution to feed and will help us to preserve the world in a sustainable way. With a world population of soon 10 billion human beings – of which an increasing number are pet parents – the need for protein will continue to increase. We need to do more with less.

Sustainable solution, with multiple benefits

Since 2011, Agronutris has specialized in rearing and processing insects into protein to meet this challenge. "We have raised up

to 9 different insect species, and we chose the black soldier fly," explains Cédric Auriol, co-founder of the French biotech company. "This species offers a number of advantages, including a short life cycle and a high-quality protein that is particularly rich in amino acids."

It is also an insect that feeds on agro-industrial by-products such as wheat solubles or vegetable waste. In other words, it's a genuine recycler able to repurpose nutrients that might otherwise be lost! Its carbon impact is much lower than that of other protein sources: 1 ton of insect meal produces 3 times less CO₂ than 1 ton of soya concentrate, for example.

First factory in France

On a journey to become a world leader in this new sector, Agronutris raised €100 million (\$110.8M) in 2021 to build its

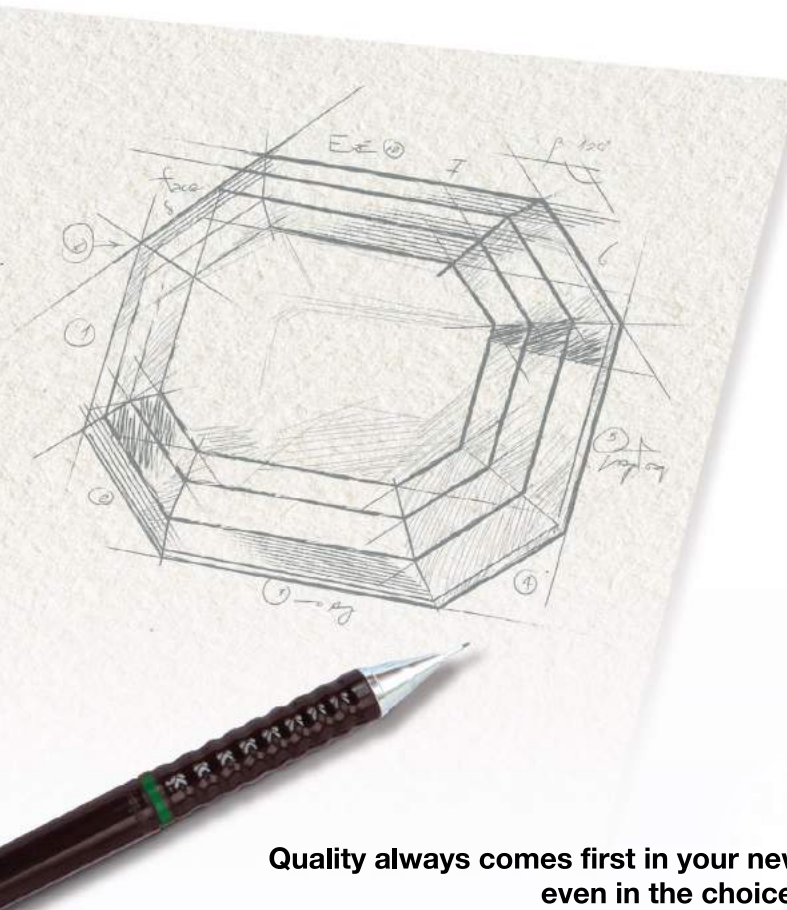
first 16,000 sqm factory in Rethel, in the northeast of France. Its first volumes of insect meal and insect oil for the pet food and aquaculture markets – called Ultra'in and Liboost respectively – were produced this summer. In response to demand, a second plant is already being built.

Agronutris has rethought its entire organization and now builds on collaborative decision-making processes and collective intelligence. "Our ambition is to contribute to the emergence of a fairer, more sustainable food industry, by forging long-term relationships with our partners and putting people at the heart of our project," concludes Mehdi Berrada. ♦

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Harnessing the power of the black soldier fly

Innovafeed is working toward the future of pet food. With its unique production models, it can supply sustainable and high-performing insect ingredients.

Innovafeed produces ingredients for animal and plant nutrition by breeding and processing *Hermetia illucens*, the black soldier fly, in a circular and zero-waste model. Replicating the insect's natural role, the company has developed resilient and sustainable food chains.

It is a leading insect producer, with 2 sites in France currently delivering consistent volumes and a third site under construction in the US.

The ingredient supplier's goal is to offer the best to pet owners' furry friends, with protein for pets and oil for pets. Both versatile ingredients are high-performing and environmentally friendly options for applications ranging from kibble and wet formulas to treats and soft chews.

Pioneering industrial symbiosis

Innovafeed operates a unique, proven and scalable industrial symbiosis production model. Its insect sites seamlessly integrate into existing industrial infrastructure, in partnership with leading agro-industrial players.

The company leverages plant by-products and waste energy to implement synergies while keeping costs and the environmental impact down.

By combining highly efficient insects with industrial symbiosis, Innovafeed ingredients boast the lowest environmental impact in the industry, a reduction of an impressive 80% compared to models without this kind of synergy.

This achievement has been confirmed through a published Life Cycle Assessment that highlights the carbon footprint advantages of Innovafeed's products over other insect, animal, or plant-based ingredients. These significant reductions can play a vital role in pet food companies' Scope 3 emissions reduction strategy.

Proven ingredient performance

The company doesn't just claim excellence – it can prove it. Its ingredients for pets have been meticulously developed, tested and validated to deliver outstanding performance in pet food formulation.

Protein and oil

Innovafeed's Protein for Pets boasts an impressive protein content that precisely meets the nutritional needs of pets, with a rich amino acid profile and high digestibility. The company's insect meal has exhibited hypo-allergenic potential, making it an ideal choice for sensitive pets. It also contains unique components like chitin and antimicrobial peptides, which have been proven to yield prebiotic and antimicrobial effects, promoting overall pet health.

The company's Oil for Pets is a premium and easily digestible energy source. Its fatty acid profile is rich in lauric acid, a potent medium-chain triglyceride known for its antimicrobial properties.

But Innovafeed doesn't stop there – all its ingredients have undergone rigorous palatability tests for dogs and cats, gaining enthusiastic support from pet parents worldwide. ♦

Innovafeed SAS

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innovafeed.com

Organic insect production: the European approach



New proposals regulating organic labeling and insect farming are under discussion. How could they potentially affect pet food producers?

In the context of both a healthy diet and the environment, Europeans care about the food they consume themselves, and they are also increasingly conscious of the food they buy for their pets. Therefore, many pet food producers are striving to develop highly nutritious, premium products that contribute to pet health while also meeting owners' demands for more sustainable options. Considerable strides have recently been made in pet food innovation.

A close eye on changes around insects

However, protein production is at the core of any food strategy, whether at the national or supranational level, and food safety is closely governed by policies in the European Union (EU). Producers of food for humans or pets in Europe need to keep a close eye on any legislative changes that may affect them.

Right now, this is particularly the case for pet food manufacturers who are exploring the potential benefits of organically produced insects as an alternative, more sustainable source of protein.

There is currently no EU-level legislation for organically produced insects.

Known for their reduced overall footprint, insects are among the most efficient sources of protein in terms of output per area of land. Their fast rate of development and growth allows several cycles of insects to be farmed per year. In view of this, in combination with the incorporation of vertical farming principles in insect farming, insects are up to 70 times more environmentally efficient than commonly used proteins of vegetal origin.

EU Organic Regulation creates uncertainty

However, the new EU Organic Regulation that came into force on 1 January 2022 falls somewhat short in the integration of labeling rules used for pet food, resulting in a degree of legislative uncertainty surrounding organically farmed insects. While ingredients of non-organic origin are authorized for use in organic feed, manufacturers are not permitted to make any reference to organic production, or display the EU organic logo, unless 100% of the ingredients are sourced from organic production.

As a result, although feed and pet-food processing companies are informed about the organic and non-organic origin of ingredients, that information often does not subsequently appear on the retail packaging.

Legal clarification on labeling

On 28 November 2022, the European Commission adopted a legislative proposal aimed at establishing a new regulatory framework for the labeling of organic pet food products in the EU. The draft rules clarify that pet food can be labeled as organic if at least 95% (by weight) of its agricultural ingredients are organic.

This clarification is critical since – in the current absence of EU-level legislation for organically produced insects – pet food manufacturers who want to complement their mix with nutritious insect-derived protein can now make use of the 5% leeway. The draft text has now entered the final phase of discussion and it is hoped that the regulation will be adopted and will enter into force soon, possibly even before the end of 2023.

The reality of organic insect farming

In parallel, discussions are ongoing between the European Commission and the EU member states with a view to establishing organic production rules for farmed insects. The Expert Group for Technical Advice on Organic Production (EGTOP) has recently been consulted for its recommendations. These are expected to be published during the second half of this year, after which the EU discussions will be able to resume.

Current EU legislation does not take into account invertebrate animals such as insects, which may lead to unrealistic standards. Therefore, in the context of these discussions, the International Platform of Insects for Food and Feed (IPIFF) calls for tailor-made organic rules that should apply to the insect-farming reality.

A compromise could be reached by mid-2024, thereby paving the way for final adoption of this new legislation before the end of next year. Then, insect ingredients complying with the future EU standards for organic insect production will be eligible for use in organic pet food, above the 5% leeway that will hopefully be authorized under the proposed EU rules for organic pet food. ♦



Christophe Derrien
Secretary General
IPIFF

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It is rich in quality protein and healthy fatty acids. Allergies or intolerances not known against insect protein, therefore **Canina® PROTEIN INSECT** is also 100% suitable for people with food allergies. The biological value of insect protein is almost the same as that of meat protein, which is why **Canina® PROTEIN INSECT** is a valuable source of protein, regardless of what is fed.

The production of insect protein uses significantly less energy than the processing of other animal proteins, which contributes to climate protection.

Especially in phases of high physical and mental stress, **Canina® PROTEIN INSECT** donates, in addition to those important for metabolism amino acids, additional natural minerals and vitamins.

The chitin from the insect larvae is roughage for the intestines and can have a positive effect on digestion. The slightly nutty note of the product is suitable as an "appetizer" for taste-sensitive dogs, so that they are happy to eat their ration and thus improve their muscles.



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www.canina.de

Mealworm ingredients improve the nutritional sustainability of pet food



Could mealworm ingredients be part of the solution to reduce the pet food industry's environmental 'pawprint'?

Because of the recent explosion in global pet numbers and the associated rising demand for high-quality pet food, the industry now faces the challenge of making pet food more sustainable without compromising on quality. Ynsect's portfolio of mealworm ingredients for pet food, called Sprýng, could hold the answer.

Shifting goalposts in the pet food industry

In the early days of the pet food industry, manufacturers typically made use of by-products from human food production that would otherwise have been discarded. This system of reserving the best cuts of meat for human consumption and the offcuts for pets meant there was little overall waste – which contributed to the perception of pet food having a negligible environmental impact.

However, besides an increase in the number of pets, the relationship between humans and pets has shifted in recent years, with pets becoming more anthropomorphized. This growing tendency to consider pets as

members of the family is driving demand for premium-quality – and even 'human-grade' – pet food. Unfortunately, such foods have a higher environmental impact.

Bridging the gap between sustainability and nutrition

Ingredients based on mealworm protein bridge the gap between nutritional and environmental pressures. For example, in terms of nutrition, Sprýng's dry pet-food ingredient Protein70 and wet pet-food ingredient WetPro15 both have a high protein quality, less than 5% ash content and are rich in unsaturated fatty acids. Meanwhile, mealworm ingredients have a comparatively low impact from an environmental perspective.

More favorable carbon footprint

Ynsect conducted a lifecycle assessment (LCA) analysis of the carbon footprints of its Sprýng mealworm ingredients compared to the proteins in traditional pet food. For Protein70, the result was 3.10 kg carbon dioxide equivalent (CO₂eq) per kilogram of the ingredient. In comparison, data from

global LCA databases shows a high-quality lamb ingredient to produce 5.51 kg CO₂eq per kg.

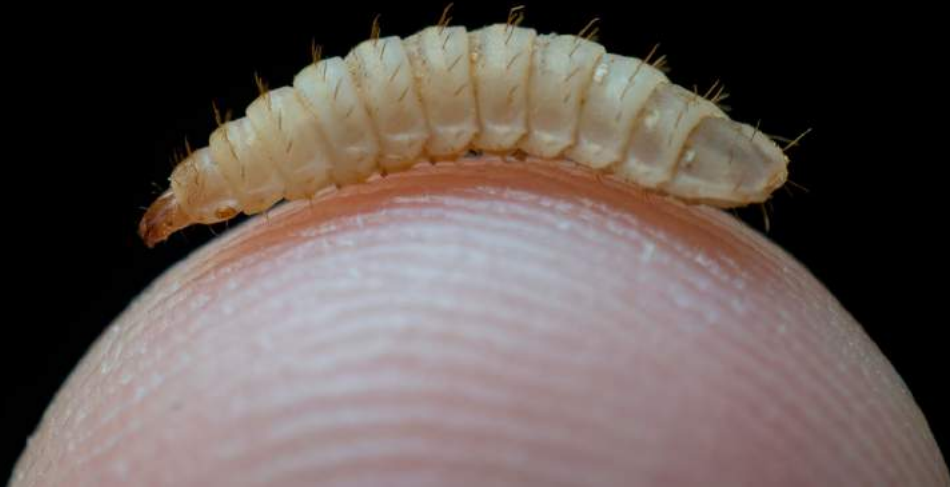
Similarly, Sprýng's WetPro15, made from wet-blanching whole mealworms, has a carbon footprint of 0.90 kg CO₂eq per kg. A comparable beef offal ingredient scored 12.21 kg CO₂eq per kg (14 times higher), and a lamb ingredient 23.65 kg CO₂eq per kg (26 times higher).

It can therefore be concluded that even a partial replacement of a more traditional protein source with mealworm ingredients would improve the sustainability quotient of pet food without compromising on nutritional quality. ♦

Discover more detailed studies on mealworms and sustainability: tinyurl.com/5dzerjn9

Sprýng powered by Ynsect
maximilien.jouy@ynsect.com
www.spryng.pro

Asia's insect-based pet food is causing a buzz



Southeast Asia's tropical climate is perfect for investment in insect farming, and the most used insects for pet food – like the BSF – are native to the region.

The insect ingredient industry in Southeast Asia is buzzing with activity. And it is definitely set to flourish, given the region's favorable climate for insect farming and the affordable operational costs.

Long-term investment

Investments have been pouring into the region. Some of the recent ones include Bunge Ventures, which announced in late June that it is investing in Malaysian black soldier fly (BSF) larvae producer Nutrition Technologies. The investment figure has not been disclosed, but Emma Wardenga, Sales and Marketing Manager at Nutrition Technologies, has told PETS International that it is a "long-term equity investment", with Bunge looking to support and grow the insect sector in Asia.

Steep rise in capacity

Singapore-based insect farmer Protenga farms its insects in neighboring Malaysia's state of Johor for both pet food and aquaculture applications. Between 2020 and 2022, its capacity grew ninefold to 3–5 containers of insect products per month. "We expect more stepwise growth in 2024 in production

and revenue, with new facilities opening," says Founder and Chief Executive Officer Leo Wein.

The firm is actively working on 3 new smart insect farm projects for 2024, each producing around 1,700 tons of BSF larvae per year. By 2025, it expects to open an additional 8 facilities.

Sustainable technology

Yoav Shmulevich, Project Manager at engineering consulting company InsectProjects, believes that the combination of renewable and sustainable technology is attracting many entrepreneurs to the region. His company is based in Israel, but works with several companies in the Southeast Asia region.

Low production costs

Insect ingredient suppliers say that Southeast Asia is definitely the most favorable option for their industry.

It has the perfect climate for breeding and farming tropical insects, and very affordable production costs for the land, labor and energy needed to produce insect ingredients.

[▶ SEE NEXT PAGE](#)

Shmulevich says that the energy costs for climate control are typically the highest capital and operational expenditure of insect farming. Therefore, farming in a tropical climate may significantly reduce the costs of running an insect farm.

"The cost basis in Southeast Asia is much better than in Europe or North America. We have a lot of insect companies in Europe, but the production cost basis there is significantly higher – climate costs, general energy costs, land costs and labor costs," points out Protenga's Leo Wein.

According to him, the aim of insect providers in the region is to provide a high-end premium product at a competitive cost that allows pet food manufacturers to go mainstream with insect-based products.

To Europe and beyond

Insect pet food is mostly available for dogs, the dominant pet in Europe with a population of 104 million as of 2022. As most insect-based pet food markets and brands are in Europe, this is the majority of

Protenga is actively working on 3 new smart insect farm projects for 2024.

the export business for insect producers in Southeast Asia and what they rely on.

"We see the greatest demand in Germany, France, Spain, the UK and Scandinavian countries. Subject to pending regulatory approvals, we should start exporting to those markets by the latter half of this year," says Protenga's Leo Wein.

Despite European countries being seen as the most developed and rapidly growing markets for insect ingredients, other countries are also on the radar.

"There are some exciting developments in Australia, New Zealand, Korea and Japan which is increasing demand," he concludes. ♦



Ismira Lutfia Tisnadibrata
PETS International Contributor



Alexa, please save the note that GEPRO's sustainability agenda is coming soon.



www.ge-pro.de





Global pet industry

How are pet supplies affected by inflation? What's the industry's environmental footprint? You'll discover an overview of the latest investments and an update on dog carriers. We analyze data on pet health product sales on Amazon. And what's the current state of pet insurance?

Sky-high inflation: pet supplies taking the hit	38	Investments that are driving the pet industry	51
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Sky-high inflation: pet supplies taking the hit

The category continues to suffer price hikes, with some countries showing a slight slowdown trend. But how's the future looking?

While some predictions forecast a general softening of inflation, the pet category seems to be an exception to the rule. In the UK, Germany, the Netherlands and Finland, the prices of pet supplies – especially pet food – have continued to show a general upward trend this year. In the US and Australia, inflation is slowing down.

Paying more than a year ago

In the first 6 months of 2023, British pet owners paid an average of 13.9% more for pet supplies than in the same period of 2022. In the US, average inflation for pet supplies in this period was 10.6%.

US inflation in the category has been declining in recent months – with an annual rate of 9% in June. But the category is still suffering in the UK, with consumers paying 14.5% more that month than they did in June 2022.

Prices for pet supplies are considerably higher than the overall Consumer Price Index (CPI) in both English-speaking nations. As of June, general consumer prices in the UK rose by 7.9% in the space of a year, while in the US the rate was considerably lower, at 3%.

Peaks in price rises

In April 2023, annual inflation had the highest impact on the UK pet category so far, at 15.4%. The biggest

inflation hike in the US happened in February, when pet owners paid 15.3% more for pet supplies.

The UK's Office for National Statistics (ONS) warns that this is not a phenomenon that only recently started. Rapid price increases have been seen since the second half of 2021. "From then on, the 12-month rate has gradually risen to what we are seeing now. That's because the pace at which prices for pet-related goods and services, in general, have been rising during this period continues to increase," an ONS spokesperson tells Pets International.

Pet food

August 2022 saw the highest inflation in pet food in the US in 15 years. This was 6 months after the start of the war in Ukraine. The average price of the country's pet food increased by 14% in the second half of 2022.

In January and February 2023, inflation grew further in the US pet food market – to more than 15% – but the rate has now slightly declined. In June 2023, pet food cost 12.1% more than the previous year.

Price increases in the category are also highlighted by pet food manufacturer reporting. Nestlé's pet portfolio, for example, felt the greatest impact of inflation across all its businesses in the first 6 months of 2023, putting

its prices up by 12.1%. This is higher than its milk (11.3%) and water (10.5%) products.

From an international perspective

This inflationary environment affecting pet supplies is also the new reality in other countries, particularly in Northern Europe.

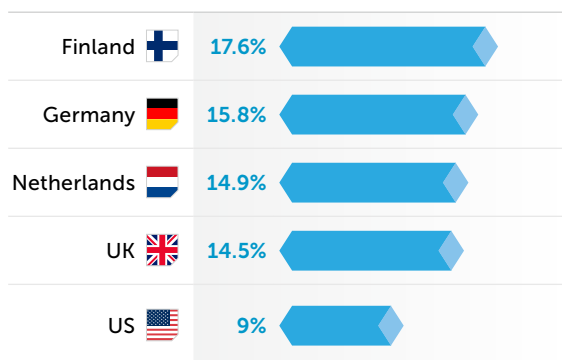
Pet products in Germany were 15.8% more expensive in June 2023 than a year before, according to the Federal Statistical Office (Destatis). The country's pet supply prices had increased considerably at the beginning of this year, with German pet owners paying 19.1% more in March, but this went down slightly after that.

In the Netherlands, the price of pet supplies has risen by an average of 14% this year. In June alone, the inflation rate in the category was as much as 14.9%.

In the Nordic region, Finland has been critically affected by pet inflation in 2023. In June, owners were paying 17.6% more for pet products and 18.5% more for pet food. March was the month with the highest inflation rate. According to Statistics Finland, the price of pet products increased by 20.1% compared to the same month in 2022. Pet food saw a 21% increase, the highest recorded this year so far.

In the first 3 months of 2023, the price of pet products in Australia increased by 2.4%. But according to the Australian Bureau of Statistics, price rises in the category were very slight (0.1%) in the second quarter of the year.

Inflation in pet supplies (June 2023 vs June 2022)



Sources: Statistics Finland, Destatis, CBS, ONS, BLS

Non-renewal of the Black Sea grain deal could further impact prices in the category.

Forecasts for the near future

Although there are no specific predictions for pet supplies, insiders agree that the general inflationary trend will decrease in the coming months and into 2024.

The Bank of England expects prices to “fall quickly” this year and believes that inflation will be at 2% by late 2024.

Euromonitor International acknowledges that the global outlook has “improved slightly” but warns that there is an element of uncertainty, as there is a “multitude of risks and headwinds, elevating the likelihood of a downside scenario”. The market research firm predicts that overall CPI will fall from 6.9% this year to 4.3% in 2024. According to their figures, the Eurozone (2.7%), the US (2.5%) and China (2.3%) should register lower inflation than average.

Black Sea grain deal

Russia’s recent decision to terminate the safe grain corridor from Ukrainian ports is unlikely to help soften the prices of raw materials used by pet food manufacturers. As the Black Sea is no longer possible, other routes such as road, rail or river are being used as an alternative means of transport.

The Danube River has become one of the preferred options to export grain to European countries. But there are some logistical restrictions. The fact that ships using the river are much smaller, for example, is reducing the amount of pet food ingredients that can be transported.

According to experts, this is likely to impact pricing in the near future. What’s more, Ukraine’s capacity to export grain has been reduced by nearly half since the termination of the Black Sea grain deal. ♦



David Palacios Rubio
Head of Editorial
GlobalPETS



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Behind the substantial but uncertain environmental impacts of pet foods

As the spotlight on sustainability in pet food grows, there is a growing dichotomy between the consumer desire for more premium ingredients, and the gathering momentum for a reduced environmental impact.

Producing pet food has environmental consequences, but the exact role is currently largely absent from the wider environmental sustainability discourse or research. What research has been conducted shows substantial disagreement, both due to a lack of publicly available data on what is in the foods and the choices about how to account for the use of by-products in pet foods. However, trends in the pet food market, and global rises in pet ownership, suggest more clarity is urgently needed.

Premium, sustainable – or both?

There are 2 trends in the pet food market that suggest contradictory outcomes on resources used in pet food production. Firstly, a major trend is toward premiumization or humanization of pet foods, which is particularly strong in North America, Western Europe and Australasian markets. These foods, particularly where they contain more meat, will increase the resources used to produce them. A second trend is a

growing interest in sustainable pet foods, with multiple new brands launched in this space.

More sustainable pet foods, just as in human nutrition, will use commodities that have lower footprints. This includes a reduction in meat (especially ruminant meat), with increased quantities of plant-based ingredients. Obviously, appropriate and balanced animal nutrition needs to be maintained even with vegan foods. The use of by-products is highly relevant for pet foods, where using the by-products that lack other alternative uses, and therefore have the lowest values, would be preferred. Novel ingredients, such as insects, could also play a role. However, the question then becomes how and on what were the insects themselves fed.

A circular economy view that considers the system and alternatives is therefore needed to understand the impacts of such approaches. [▶ SEE NEXT PAGE](#)

Here again, if very low-value waste or by-product streams could be used to grow insects, then low-impact food could be produced.

The role of by-products

Animal by-products (ABP) are a traditional way to provide suitable pet nutrition at a low cost. The most common ingredients found in commercial dry and wet diets are poultry ABPs, with an average of 32% of dry pet food in the US market being ABP.

When attempting to allocate environmental harms, a critical decision is how to account for these by-products. Previous studies assigned an environmental impact factor that treats ABPs as if they were human-grade meat. The life-cycle assessments used to derive these environmental impact factors are targeted at the functional unit of meat production and so they should not be directly used for ABP.

An alternative approach would be to ascribe zero impact or emissions to ABPs. This approach would be the opposite extreme of taking meat-related emissions and would reduce the impact of pet food consumption. However, ABPs are not valueless, so they provide a financial return to the livestock industry that incentivizes increased livestock production, and should therefore be associated with some level of emission.

A third allocation option to deal with emissions from ABP is using the relative economic value of the different products, which falls between the 2 extremes of a meat impact factor and no impact.

The lower price of the ABP relative to meat implies emission associated with it would also be considered to be lower. For example, bovine ABP per kg is just 8% of the beef emission using an economic value allocation. Using this approach, we showed in a published study emissions of 0.87-1.94 CO₂eq/1,000 kcal across the range of dry dog foods with a US market consumption average of 1.24 CO₂eq/1,000 kcal. This would be approximately 3.4 times lower than shown in previous studies for dry food, and 27 times less than for wet foods.

Demand is at an all-time high

Global pet ownership is increasing, with current estimates of over 840 million cats and dogs worldwide

An alternative approach would be to ascribe zero impact or emissions to ABPs.

in 2023, according to Statista. There has been a dramatic rise in many regions, including China and the United States. In the US, pet ownership has increased from 56% of households in 1988 to 66% in 2023, according to Forbes, with \$58.1 billion (€52.4B) spent on pet foods. Feeding this increasing population of pets implies an increasing environmental burden from producing the food they consume.

The environmental paw print from pet foods could be reduced by either lowering the demand or by using food that can be produced more sustainably. If reducing the number of pets is considered too controversial or otherwise unacceptable, then demands for pet food can still be reduced by having the same number of smaller animals. Trading down from a Great Dane to a Chihuahua would still provide some of the benefits of dog ownership, but place less pressure on the environment to maintain the dog.

The numbers

The environmental impact of currently consumed pet food is still unclear and contested. A recent study explored the environmental impact of dog and cat feed, showing greenhouse gas emission rates of 33.56 kg CO₂eq/1,000 kcal for wet food and 4.25 kg CO₂eq/1,000 kcal for dry pet food. Further research has suggested that US dry cat and dog food emissions were 25-30% of emissions associated with providing food to US citizens. While these results are shocking, they rely on choices about how by-products are accounted for that are hard to justify.

The environmental impact of pet foods should not be ignored, but further research that makes appropriate consideration of by-product emissions – rather than applying emission factors from meats – is needed. Increases in pet ownership and changes in pet food markets make such understanding and debate even more critical. ♦



Peter Alexander and
Dominic Moran
University of Edinburgh



The Pet Sustainability Coalition's packaging initiatives for the pet industry

Packaging ranks among the top 3 most important sustainability issues facing the pet industry, but manufacturers have been slow to act. PSC addresses the industry's sustainable packaging challenges with these initiatives.

Across the United States alone, more than 300 million pounds of flexible plastic packaging is created by the pet industry each year. 99% of multi-laminate packaging currently used for most pet food and treats does not have a sustainable end-of-life solution. Large-scale, multi-stakeholder initiatives like the Ellen MacArthur Foundation's Global Commitment or the US Plastics Pact have identified clear solutions for multi-laminate packaging which targets recyclable, refillable and compostable formats. However, the pet industry has been slow to act.

Lacking resources, support and a collective voice

While packaging ranks among the top 3 most important sustainability issues facing the pet industry, the majority of pet companies rely on part-time staff and lack the adequate tools, resources and support to advance their packaging toward more sustainable outcomes. Companies often turn to existing packaging suppliers for education, but those suppliers generally recommend a variety of solutions that are biased toward their own abilities and solutions. Furthermore, the pet industry does not currently have a collective voice to meet these challenges with a unified approach.

Uniting the pet industry

In 2018, the Pet Sustainability Coalition (PSC) identified packaging as a priority environmental issue and began to serve as a leading force to unite the pet industry around sustainable packaging solutions. Its work includes a multifaceted approach that helps accelerate

the business sector's participation in developing and implementing needed solutions. Not only does PSC serve as a subject-matter expert to the growing community of brands, but it has also pioneered collaborative industry-wide programming.

Examples include:

- Flex-Forward, the pet industry's first return-to-retail program aimed at collecting and recycling post-consumer multi-laminate packaging
- The PSC Packaging Pledge, a program dedicated to helping companies meet ambitious, transparent, public-facing packaging goals

5 pillars of PSC's approach

PSC's approach is built on the 5 pillars of tools, collaboration, on-market, future state and events:

Tools. Providing tools, thought leadership and resources that support the industry to advance circularity and sustainable packaging.

Collaboration. Representing the pet industry within the US Plastics Pact and working with specialists within the pet industry as well as global sustainability leaders (such as the Ellen MacArthur Foundation, Closed Loop Partners, The Recycling Partnership and the World Wildlife Fund). The collaborative approach is strengthened by the fact that a large majority of packaging suppliers that service the pet industry are PSC members, allowing PSC to effect change at scale by engaging the entire value chain in solutions.

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1



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2



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3



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4



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Karyn Bennett, Director, Booth & Membership Sales
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On-Market. Driving innovation, leadership, education and sustainability solutions toward decreasing landfill waste through in-store take-back collection of flexible pet food and treat packaging. 99% of the pet food packaging produced for the pet industry is currently unrecyclable. PSC's return-to-retail pilot program collected over 8,000 lbs of post-consumer packaging, completed 17 different recycling trials, and has resulted in a scalable national recycling solution (using advanced recycling) for the pet industry.

Future State. Through programs like the PSC Packaging Pledge, PSC is building collaboration, aligned goals, technical expertise and tools to move the pet industry toward recyclable, refillable and compostable solutions.

Events + Education. Through its online education platform and highly rated multi-day sustainable packaging conference, PSC brings together brands, non-profits, retailers, manufacturers and suppliers to promote education and collaboration to advance sustainable packaging.

PSC Packaging Activator Committee

In an effort to drive collaborative leadership among key stakeholders, this year PSC is launching the PSC Packaging Activator Committee as a multi-stakeholder collaborative group focused on global packaging problems specific to the pet industry. This group will support and shape PSC's leadership at a high level to ensure that all pet companies have in place the tools needed to meet packaging commitments and challenges.

As the collaboration continues, the group will evolve its mission to include addressing systematic packaging-related issues in the pet industry, such as industry education, labeling initiatives, the co-creation and evolution of packaging solutions, and the development of implementation tools and programs that can help solve one of the pet industry's biggest areas of impact.

Packaging webinar series

In order to address some frequently mentioned concerns brought by PSC members and Packaging Pledge signatories, PSC will offer a series of sustainable packaging webinars beginning in September.

Every 2 weeks, a new 1-hour webinar will tackle one of the following topics:

- EPR legislation
- Designing packaging for recyclability
- How2Recycle labels
- The Recycling Partnership tools
- PFAS

The overall objective of this series of packaging webinars is to provide the PSC community with expert knowledge and tools regarding sustainable-packaging hot topics, while increasing the confidence of each member during their sustainable packaging journey.

Packaging Supplier Marketplace

The Supplier Marketplace is an online tool where Packaging Pledge signatories can search, filter and evaluate a pre-vetted directory of packaging suppliers that offer sustainable packaging options including recyclable, refillable or compostable solutions. This enables packaging suppliers to highlight their company's sustainable packaging offerings to current and new potential customers.

All packaging suppliers that would like to be featured in this Supplier Marketplace need to complete a supplier application, which is vetted and approved by PSC. This includes information such as the company's participation in sustainability certifications and recognitions (i.e. How2Recycle), the types of packaging it provides (i.e. flexible film pouch), and specs regarding product testing (i.e. ASTM standards).

With representation from producers, suppliers, manufacturers, brands, distributors and retailers, PSC is uniquely positioned to engage the pet industry at scale to participate in the wider movement toward sustainable packaging in a harmonized manner across the industry. Therefore, PSC aims to serve as the epicenter of collaborative solutions to address the sustainability challenges of the pet industry. ♦



Alexandra Boden
Senior Packaging Program Manager, PSC
petsustainability.org



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CELL

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Secure your spot for Global Pet Expo 2024

The largest US pet industry tradeshow is now open for registration. Don't miss out and be sure to put 'register for Global Pet Expo 2024' at the top of your to-do list!

Taking place 20-22 March 2024 in Orlando, Florida, the pet industry's premier event – presented by the American Pet Products Association (APPA) and Pet Industry Distributors Association (PIDA) – features the newest, most innovative pet products on the market today. Moreover, it delivers business connections and world-class education for pet product manufacturers and retailers from around the globe.

Here are 3 reasons why you should join more than 16,000 pet industry professionals at next year's event:

1. Make connections and network with potential partners

The power of face-to-face interactions is one of the biggest benefits of attending Global Pet Expo. From invaluable networking events to conversations on the show floor, Global Pet Expo is more than a trade show: it's where the pet care community comes to do business and drive ROI. The event is a chance to not only reconnect with colleagues, but also meet new peers. It is a time to come together and recognize the successes of those in our industry and collaborate on how we can use new products, tools, services or offerings to help make life easier and more enjoyable for our ultimate target audience: pets and their owners.

2. Celebrate new products and innovations

From pet foods that offer elevated nutrition to toys that are more durable and mentally stimulating, from eco-friendly products to GPS tracking and health monitoring: pet innovation takes many forms, and it is alive and thriving at Global Pet Expo. Driven by a passion for creating solutions that are not only functional but also enrich the lives of pets and their owners, the ideas, creations and developments on display from companies across the world are endless each and every year.

3. Learn something new

The popular (and free!) Global Learning Series hosts more than 40 hours of world-class education sessions, strategically chosen to help move the pet care community forward. From workshops to presentations, exhibits to conversations, take advantage of as many sessions as time allows, as all programs are designed to reflect sound learning principles and cutting-edge insights in the field.

Don't miss your chance to attend Global Pet Expo 2024 and benefit from all of its opportunities. ♦

Register to exhibit or attend now at globalpetexpo.org



Building an attention-grabbing pet brand

What are best practices to build a strong brand that your customers love?

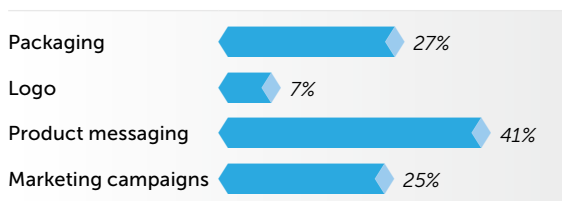
However attractive, a well-stocked pet product aisle can overwhelm even the most informed shopper. For new pet brands, it's mission-critical to break through the crowded shelf clutter, grab your audience's attention and show them why they should trust your product above the many other options on the shelf – all in a split second.

Which leaves the million-dollar question: With so many brands vying for the same wallets, how do you make yours stand out?

Start from the inside

No matter the industry, the most successful brands have one thing in common: They *solve a problem*. Whether big or small, they make life a little bit easier, better, faster. The same should be true for your pet product. So, for starters, take the time to figure out your point of difference. What do you do better than other brands? What do you stand for? What new and different perspective do you bring?

Which of these 4 branding elements is the most important in a product's success?



Source: GlobalPETS audience survey, August 2023

Think about how you want people to feel when they encounter your brand. Whether it's a dog kibble or a guinea pig enrichment toy, you're offering something intended to strengthen the health and wellness of a beloved family member. You need to find that *emotional connection*.

With these answers in hand, it's time to craft a unique positioning. It could be a pithy statement or a series of phrases. Either way, it unites your point of difference and your emotional connection with your tangible offering.

Ultimately, this message should be front and center on all of your branding elements, from your packaging to your social media to your website. It's your brand's north star.

Designing your brand

Now that you've defined who you are, it's time to create the essential elements of your brand.

Logo: Think of your logo as the nucleus of your brand. Because your logo is such a visible and pervasive part of your brand, it's one of the most important elements to get right. Make sure you spend the time, energy and resources necessary to develop a unique and memorable logo.

Tips: Cute is nice, but lots of brands do it. Give your brand meaning, and develop a logo that communicates something about your product's point of difference.



Designed with cat behaviourist

Anneleen Bru

Effective Primary Display Panels (PDPs) do 4 things quickly and clearly

- Support easy brand recognition through unique design elements
- Include clear naming and information hierarchy
- Provide confidence-building expertise, knowledge or data (e.g. differentiating ingredients, nutrition percentages)
- Convey trustworthiness (e.g. quality guarantee, Made in the US)

Asset toolbox: With your logo as a touchstone, build a toolbox of core brand assets. These elements include typography, color palette, forms and shapes, patterns, iconography, brand voice and key visuals. Each of these should complement and build on one another to communicate your brand's unique positioning.

Packaging: Start with one formula or product type. Choose your primary display panel (PDP) and prioritize the most important messages for that outward-facing side. If your package is a bag, consider how the design appears when filled to preempt any potential belly or hip issues. Then push your designer to craft a design that creates a billboard-like effect on-shelf, that radiates your presence across the aisle.

Functionality: Not only does your packaging have to look good on-shelf, it also needs to stand out online. Consider how your design will show on digital store shelves, thumbnail listings and tiny mobile phone banner ads. Make sure the look and feel comes through clearly on all sizes and forms of marketing collateral.

Architecture: Whether you're starting out with 2 or 10 offerings, decide early how your line extensions will work together. How are they visually connected? How do their names play together? Plan for growth and be intentional with your brand architecture from the very beginning.

Ready to launch

Your website is your digital window to the world. Your distribution strategy will define the kind of site you will need. If it's a sales tool, create a shopping cart and make the purchase process as easy as possible. Or flesh out your brand story and clearly link to retail stores and selling sites.

▶ SEE NEXT PAGE



A unique & exclusive collection

The new collection from Dutch pet design brand D&D HOME in collaboration with "I ♥ Happy Cats" is the result of a long-standing desire to innovate and amaze, with the happiness and needs of the cat as our main goal.



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Do you want to share our passion for D&D HOME | I ♥ Happy Cats and are you interested to be part of this successful collection? We invite you to connect with us at

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Branding bonus: helpful tips to keep in mind

- Use your PDP to hook your customer's attention. Secondary sides are ripe for 'seal the deal' selling points and supporting information
- Know where your target customer shops. Whether big box or boutique, digital or bricks and mortar, get your product where your customers are
- Allow for realistic budgets. Good work takes time, and time is money
- Stay true to your brand. To build trust, customers need a consistent experience with your brand – no matter where or how they encounter you
- Remember that no one is waiting for your new brand. You need to find your own spot on the shelf. Identify and position yourself against the weakest competitor – then kick them off the shelf

Sales support

An effective sales strategy includes branded tools for your sales team, including sales training presentations, customer-facing sales presentations, ISO sell sheets, promotions, retail samples and shopper marketing

pieces. Use these elements to ensure sales is telling the same brand story that appears on your package, your website, etc. Consistency is key to success.

Social media

Social media is a fantastic opportunity to target your desired audience, geographically and socio-economically. Enlist influencers to spread the word while building credibility (though beware of bots. If a deal to acquire followers sounds too good to be true, it probably is). And track engagement – shares, comments, views and likes provide a wealth of data to measure the effectiveness of your campaign.

In the end, invest your marketing dollars where your customer is. Test your elements and messages. Revise. Repeat. And then blow it out when you find what works. ♦



Stefan Hartung
Co-Founder Creative, Kick Branding & Design
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Investments that are driving the pet industry

A deep dive into the most significant capital injections and M&A in the pet industry worldwide in the first half of 2023.

The pet industry continues to attract significant amounts of money. The larger sums seen recently are for mergers and acquisitions (M&A), but there have also been major investments in production capacity expansion and business divestitures.

Billion-dollar transactions

One of the biggest announcements was made in June, when agribusiness specialists Bunge and Viterra announced their merger to create an “innovative global agribusiness company”. The operation, that is expected to be complete by mid-2024, is worth approximately \$34 billion (€31B).

At the same time, Bunge has invested in Singapore-based insect product manufacturer Nutrition Technologies, to increase the use of insects as a mainstay ingredient in different applications, including pet food.

Also announced in June: Swedish investment company EQT plans to take over British veterinary drug producer Dechra Pharmaceuticals for £4.46 billion (\$5.73B / €5.21B).

Franchise Group in the US, which owns companies such as Pet Supplies Plus and Wag N’ Wash, has entered into a definitive agreement and merger plan with a consortium that will acquire approximately 64% of the company’s issued and outstanding common stock. The transaction value was \$2.6 billion (€2.4B). This is one of the top 5 deals in the sector made in the period 2018-2023, according to financial database PitchBook.

Mars has announced the acquisition of Heska, a global veterinary diagnostic and specialty product provider. Heska will join the multinational’s pet division. According to PitchBook, the deal was worth \$1.5 billion (€1.4B).

Investing in production in Europe

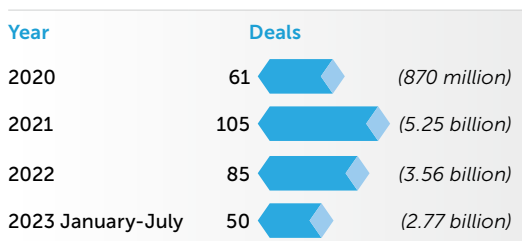
Investment on the production side has captured most of the headlines about transactions in the European region.

In April, Finland’s pet retailer Musti Group acquired full ownership of the Premium Pet Food Suomi Oy factory in Lieto. Following the deal, the [▶ SEE NEXT PAGE](#)

firm stated the estimated positive profit impact of the transaction to be around €3 million (\$3.3M). Musti CEO David Rönnerberg says that the move was strategic, as it allows the company “to deepen” its commitment to sustainably produced products.

Pet food producer VAFO has acquired British pet food firm Pooch & Mutt in a “multi-million-pound deal”. Earlier in the year, the Czech firm invested €16 million (\$17.6M) in a new 3,000 sqm factory – the largest of its kind in Finland and its first production facility in this country. It also acquired a majority share in Swedish wholesaler Lupus Foder in April, in a bid to build its Scandinavian footprint.

M&A deal activity pet industry (in \$)



Source: PitchBook

European acquisitions

Swedish pet retailer ZOO.se has taken over e-commerce site Tinybuddy, making it the second-largest pet food and products provider in Scandinavia.

Fresh dog food brand Butternut Box expanded its footprint across Europe by acquiring Polish fresh dog food company PsiBufet. Over the past few years, the London-based company has raised over £1 million (\$1.29M / €1.17M) in capital from a number of investors.

In May, Symrise successfully acquired a 30% ownership stake in Swedencare. The German corporation, that was obliged by regulations to make a takeover bid, offered kr5.9 billion (\$561M / €509M) for the Malmö-based pet health company. Symrise clarified the situation – although it planned to increase its shares in Swedencare, it did not want full ownership. The Board of Directors of the Swedish corporation rejected the bid a few days later.

Funding rounds

Insect start-up Ÿnsect has secured a Series D funding round worth €160 million (\$176M) from new and existing

Bunge and Vittera have announced their merger worth \$34 billion (€31B).

stakeholders. The French company, that recently appointed Shankar Krishnamoorthy as its new CEO, wants to develop its portfolio and accelerate marketing authorizations for its ingredients across various target markets, such as North America and Asia.

Belgian pet food producer Edgard & Cooper raised €20 million (\$22M) in February to boost product innovation and increase its European footprint.

Australia

In 2023, fresh pet food firm Lyka secured AU\$55 million (\$37M / €33M) worth of investment. The last capital injection was AU\$25 million (\$17M / €15M), which will be used to triple its production to help meet demand.

Sydney-based online pet retailer PetCircle has announced an investment of AU\$75 million (\$50M / €46M) to accelerate its plans to secure a larger share of the Australian pet supply industry. In a recent interview with PETS International, CEO and Co-founder Michael Frizell said that the online pet retailer aims to increase its customer base from the current 800,000 to 1 million within the next 5 years.

Rest of the world

Indian pet supplier Drools raised \$60 million (€54M) in June from investment firm L Catterton. This will help the company leverage its commercial network and expertise in consumer insights. CEO Dr. Shashank Sinha said to PETS International that this operation will help them enhance their manufacturing capabilities and improve existing facilities. The firm also expects to expand its footprint across Asia, Europe and the US.

Southeast Asian private equity firm Creador has bought a 40% stake in Malaysian pet food manufacturer Pet World, aiming to accelerate the company’s expansion. Earlier this year, Pet World had announced its plans for an IPO in Singapore worth \$100 million (€91M) by the end of 2023.

In the US, pet food manufacturer Alpha has invested \$5 million (€4.5M) in pet health and wellness company Better Choice, in a bid to “establish a direct manufacturing relationship and stabilize business outlook”.

Pet insurance takeovers

The pet insurance sector has once again captured the interest of investors. JAB Holdings has expanded its global portfolio with the recent acquisition of American pet insurance Pumpkin. PitchBook valued the deal at \$110 million (€100M).

Earlier in the year, JAB-backed pet insurance provider Pinnacle Pet Group took over London-based Animal Friends Investments. It also entered the French market with the takeover of animal health insurance broker HD Assurances, which operates across Belgium, France and Italy. The holding company owns 5 pet insurance firms in Canada and the US, and 5 more in the UK and Europe.

Divestitures

Despite the generally good performance of the pet category, some companies decided to sell part of their businesses in the first half of 2023.

American pet food company J.M. Smucker announced the divestiture of some of its pet brands for \$1.2 billion (€1.1B) to consumer goods firm Post Holdings. Post hopes for an annual turnover of \$30 million (€27M) after the third year of operation. While J.M. Smucker admits it is unwilling to exit the pet food market entirely, the manufacturer hopes to focus on areas that offer the strongest growth and profit potential.

Rumors have also been circulating about the potential sale of the pet portfolio of Brazilian food processing company BRF. Some sources have indicated that one of the interested companies is Nestlé. The company has reportedly offered R\$1.7 billion (\$359M / €326M). Nestlé Brazil refused to comment to PETS International on any developments. ◆



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An investor perspective on the pet industry



Pets remain a sector of interest for corporate and financial sponsors. But what asset-specific attributes are investors looking for? Sam Farnfield of PwC shares his views.

'Pets' is a category that we like; along with many of the investors we work with. Pet care markets across Europe – and indeed more widely – have been resilient in times of economic turmoil. Pet care grew at approximately 5% per year in the global financial crisis and also during COVID-19. The current period of volatility and uncertainty is no different, with our latest consumer insights even suggesting that UK consumers are prioritizing their pets ahead of their children.

Favorable demand drivers

Going forward, the 5% growth in the European pet sector is underpinned by favorable demand drivers, including the humanization of pets, as evidenced by: accelerating adoption of human dietary trends (e.g. supplements), increased focus on pet food quality and ingredients, and growth/premiumization of services (e.g. pet hotels, end of life care). On the supply side, we are seeing increasing tech-enabled innovation and medical sophistication.

As a result of these attractive demand and supply drivers, we have historically seen significant interest in the pet space from investors. This extends beyond nutrition to accessories, health, services and wider retail. As a team, we've worked on many of these processes across Europe.

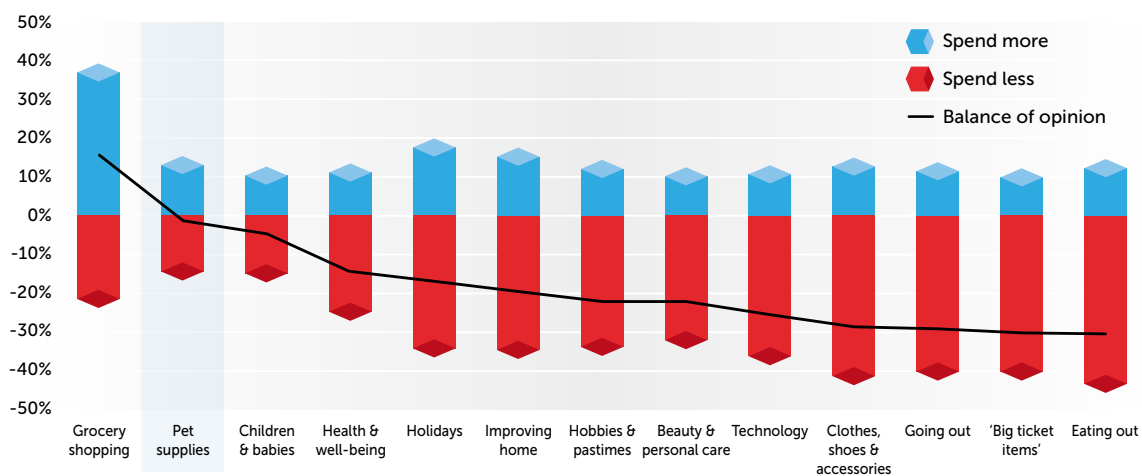
5 investable themes

Our discussions with private equity and corporate investors suggest sustained interest in the sector, underpinned by 5 key investable themes:

- Premium (e.g. super premium pet food, pet 'hotels')
- Health (e.g. specialty nutrition, supplements)
- Connected (e.g. connected pet products, pet wearables)
- Convenience (e.g. subscriptions, online platforms, virtual services)
- Life quality extension (e.g. advanced veterinary technology, biotech)

[▶ SEE NEXT PAGE](#)

How do you expect your spending to change in the next 12 months?



Source: PwC Strategy& Deals, June 2023, UK, n=2,000

Investors are, however, often looking harder and/or longer for businesses that correspond to these themes. While global pet transaction volumes recovered quickly post-COVID, the average capital invested per publicly-reported transaction has declined by almost 50% since 2014.

This has partly been driven by a more limited number of accessible, sizable assets not already owned by a private equity investor, particularly in the UK. More recently, a number of assets have started to come to market across both the UK and Europe more broadly. Given this renewed focus on dealmaking in pets, how do we – and our investor clients – diligence what ‘good’ looks like in the pet space? What questions might you prioritize if you are currently assessing pet assets?

Key questions

This is a simplified version of the key questions we typically consider for diligence and value creation:

- *Attractive market fundamentals*: Is the business positioned in an attractive market segment?
- *Distinctive model*: Is this a strong and resilient model?
- *Sustainability*: Is performance sustainable based on underlying drivers, including consumer and customer relationships?
- *Manageability of risks*: How does the business reduce market and execution risks?
- *Scalability*: What is the headroom for growth in core and adjacent product categories?

- *Exportability*: What is the headroom for growth in existing and new international territories?

We adopt a mix of quantitative and qualitative methodologies and different data sources (internal, proprietary, third party) to help investors answer these questions.

When seeking investment

Perhaps you are a business that is seeking investment? Here are a few of my personal learnings from the pet deals I’ve led over the last 15 years:

- Get aligned on the story of historical trading and the investment thesis
- Evidence your story using multiple sources, both quantitative and qualitative
- Pre-empt and address key investor concerns (internal and external)
- Demonstrate the resilience of the market/business model, particularly given the current climate
- Establish a single version of the ‘truth’ across all advisors (corporate finance collateral and diligence reports)

In the deals space, we are hugely excited about pets and what’s to come. We expect it to be a priority area for our investor clients in the medium to long term. ♦



Sam Farnfield
Director Strategy& Deals, PwC UK
pwc.co.uk

Dog strollers: luxury product or pet necessity?

You are seeing it more and more – dogs being pushed around in strollers. For many owners, they are a practical solution.



Some people might find pet strollers a little strange or unconventional. After all, dogs are supposed to walk and exercise. But the benefits they offer are undeniable, as not all dogs are capable of long walks and enjoying the outdoors on their own 4 feet.

Rapidly growing market

Since 2016, the European market for pet strollers has more than doubled according to market research. No wonder the online search volume for 'dog stroller', 'dog pram', 'pet stroller' and 'dog buggy' is now 3 times higher on average than it was 7 years ago – an indication that pet owners are becoming more aware of the benefits of dog strollers, and this is creating more demand.

Mobility issues in dogs

Some studies have found that 1 in 5 dogs suffer from joint issues in their lifetime. Several breeds of dogs are even more prone to developing osteoarthritis and other mobility issues. Labradors, for example, often suffer from hip and elbow dysplasia, which leads to difficulty walking. For issues like these, a dog stroller can be a comfortable and practical solution, both for dog owners and their furry friends.

A survey conducted among more than 500 InnoPet customers confirms this. The results showed that

58% of the respondents had purchased a dog stroller because of their dog's mobility issues. These issues vary from arthritis or paralysis to pain due to age or recovery from surgery. 25% of the respondents use their stroller for recreational purposes only.

Solving other walking problems

Not just old dogs and those with mobility problems benefit from a stroller though. Flat-nose breeds easily get out of breath and can have a hard time going on long walks. Small dogs, too, may have trouble covering long distances. Smaller breeds are also often in danger of being stepped on when they are in busy places like markets or shopping centers.

Bringing back happiness

As dog strollers become increasingly popular with dog owners, it's no wonder that retailers are following the trend. The dog stroller's image as a luxury product has long gone. Its purpose is clear: to bring happiness to dog owners and their furry best friends. So it is safe to say it is a pet necessity. ♦



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Trends driving the pet carrier market

More brands are entering the pet carrier category to cater to the demands of pet parents wanting to take their furry kids with them wherever they go.

The rising trend in taking pets with us when we travel, in addition to airline demands for specific pet carriers, has pushed innovation and market opportunities for carrier and enclosure manufacturers. Most notably backpack, purse-style and wheeled carriers are subject to ongoing innovations and adaptations.

Recent data by the American Pet Products Association (APPA) found that 5% of dog owners and 4% of cat owners took their pet with them on a trip of more than 2 nights. The 2023-2024 APPA National Pet Owners Survey also concluded that 41% of pet parents in the US – mostly Gen X (40%) and boomers (38%) – checked in at pet-friendly hotels.

In 2020, American airline Delta, in cooperation with CarePod, launched a pet carrier with GPS tracking, as well as a built-in water bowl and a triple-locking door. The product is compliant with International Air Transport Association (IATA) guidelines.

The global travel bag market was estimated to be around \$826.29 million (€754.7M) in 2022 and is predicted to rise to \$1.1 billion (€1B) by 2030, according to Zion Market Research.

Seeking sustainability

One of the main drivers of material choice is the growing number of climate-conscious consumers. The increase in environmental awareness and consumer action have pushed millennials and Gen Z pet owners to spend cautiously on products, to reduce their carbon footprint.

New York-based A Pet with Paws designs carriers with recycled polyester made from plastic bottles and vegan leather. Founder Ann Greenberg notes that durable and sustainable materials like bamboo, hemp and organic cotton are also gaining popularity.

“Many large retailers are now requesting companies to use eco-conscious materials in their pet products, provide transparency in the supply chain, and follow ethical standards,” she comments.

Another example is Lish London, that solely offers handcrafted pet carriers made with vegan leather and natural fibers.

Safety certification

Non-profit organization Center for Pet Safety offers an independent product certification to manufacturers. “We have seen an increase in interest over the past few years from brands working to differentiate themselves in the marketplace,” says founder Lindsey A. Wolko.

The pet carrier for small animals from travel accessories retailer Away meets Federal Aviation Administration requirements for in-cabin use and is certified by the Center for Pet Safety. The Gunner G1 Kennel, a wheeled carrier for larger pets, has the same safety certification. ♦



Muskaan Gupta
Associate News Editor
GlobalPETS



REACHING NEW HEIGHTS

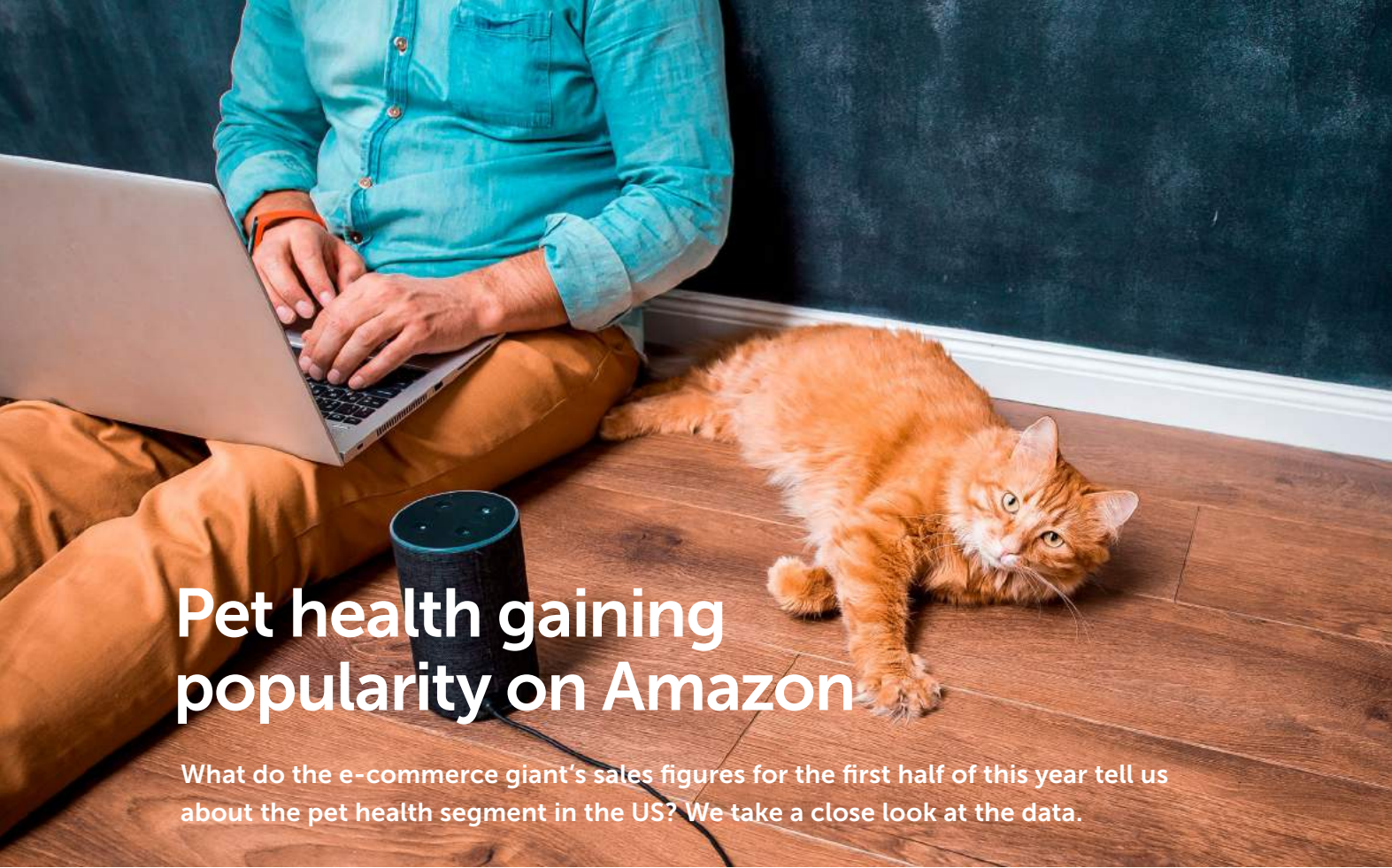


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Pet health gaining popularity on Amazon

What do the e-commerce giant's sales figures for the first half of this year tell us about the pet health segment in the US? We take a close look at the data.

From January to June 2023, Amazon sold \$778 million (€710M) worth of pet health products for dogs, cats, horses, small animals, fish, reptiles and amphibians in the US. This represents an increase of 27.9%, continuing the upward trend of the past 2 years.

To put this in context, Amazon's full-year sales of pet health products jumped from \$992.2 million (€904.9M) in 2021 to \$1.28 billion (€1.17B) in 2022, according to data from Similarweb Shopper Intelligence.

Solid rise in month-on-month sales

From June 2020 to February 2021, Amazon's average monthly revenue from the pet health segment was \$80 million (€73M), with February 2021 being the month with the lowest sales at \$67.53 million (€61.59M). The platform saw solid month-on-month growth from March 2021 onwards, reaching over \$100 million (€91.2M) in March 2022.

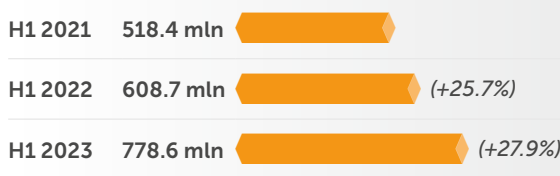
This trend has continued, with the latest figures showing that June 2023 was the best month yet for the e-commerce platform, generating close to \$150 million (€137M) in revenue from the total pet health segment.

Cats

Revenue from cat health products was up 26% in the first half of 2023, growing from \$24 million (€22M) to \$29 million (€26.5M). In volume terms, the units sold increased by 23% to nearly 27 million items.

FELIWAY came out as the top pet health brand for cats on Amazon in June 2023 with more than 148,500 units sold – a 42% increase against the same month of 2022. Its revenue jumped 62% to \$4.8 million (€4.4M). Vet's Best was the second most popular brand with 81,450 units sold (+1,042%) and a revenue of \$844,000 (€770,000), up 979%. Zymox (46,500 units sold), DENTAL FRESH (42,300 units sold) and Arm & Hammer (41,700 units sold) completed the top 5 cat health brands in June 2023.

Amazon's sales in the total pet health segment (in \$)



Source: Shopper Intelligence, Similarweb

Top pet health brands on Amazon (units sold)

 Dogs Zesty Paws		9.63 mln
 Cats FELIWAY		3.76 mln
 Fish API		591,200
 Reptiles and amphibians Flucker's		512,400
 Small animals Kaytee		173,190

Source: Shopper Intelligence, Similarweb (June 2020–June 2023)

Dogs

Amazon's revenue from dog health products was up 27% to \$115.42 million (€105.26M) in the first half of the year, while unit sales were up 21%. Zesty Paws sold the highest number of units (314,700) in June, 11% more than in the same month in 2022. Its revenue also increased by 15% to \$9.5 million (€8.7M). The second most successful brand in June 2023 was Nutramax Laboratories, which generated \$9.1 million (€8.3M) in revenue (+27%), despite its number of units sold remaining unchanged at nearly 214,200.

In third place, NaturVet sold more than 164,000 units. Purina, a Nestlé brand, sold fewer units (115,500) but achieved the highest performance increase in the category. In fact, the data shows that both its revenue and unit sales have climbed steadily over the past year.

Reptiles and amphibians

This category showed the greatest revenue gain (36%) of the total pet health segment in the first 6 months of 2023. In January, it saw the biggest revenue so far with 639,500 units sold, although this dropped to 495,000 units in June.

According to the figures for June, the most popular brand on Amazon by sales is Flucker's with 15,000 units sold, although this is a decrease of 20% in a year. Other brands such as Oxbox (-54%) and Zilla (-41%) also lost both in sales and revenue.

However, the second most popular brand, Zoo Med, achieved the most impressive year-on-year gains, with an 84% increase in units sold and a 103% rise in revenue to \$128,000 (€117,000).



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The reptiles and amphibians category showed the greatest revenue gain of the total pet health segment.

Small animals and fish

Unit sales were flat or slightly down in June for the categories of small animals and fish health products. Nevertheless, the revenue increased by 22% for small animals and by 13.5% for fish. Over the past 3 years (June 2020–June 2023), March 2023 was the biggest month in revenue terms for small animals (\$258,400 / €235,700). In the same period, May 2023 was the strongest month for fish health products, with a revenue of \$310,000 (€283,000). This illustrates that there is clearly momentum for both of these categories on Amazon. ♦



David F. Carr
Senior Insights Manager
Similarweb



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The original Himalayan dog chew

Nepalese tradition and innovation drive growth for this US-based company.

Himalayan Pet Supply was founded in 2008, but its story begins 5 years earlier in the US when co-founders and Nepali-born Nishes Shrestha and Suman Shrestha met for dinner. While setting up a new business wasn't what they were looking for, during dinner they stumbled on an opportunity not to miss out on.

Inspiration and hard work

While chatting, Suman noticed Nishes' dog happily chewing on a piece of Churpi: a Himalayan hard cheese that is preserved using centuries-old techniques. To this day, this preservation technique is practiced by the people of Nepal. It was the same cheese that Suman enjoyed as a young boy growing up in Nepal. He was inspired to tap the same cultural techniques to make a high-quality chew for dogs – and inspired Nishes to join him in this new business venture.

Over the next few years, Suman and Nishes carried out extensive research, to find out how to remove lactose from the cheese and create the desired texture for

an innovative chew, made exclusively for dogs. Their hard work paid off. During a pet fair in Bellingham, Washington, the Original Himalayan Dog Chew sold out almost immediately. From there, the company was founded and a new category within the pet space was born.

Helping drive social change

The Original Himalayan Dog Chew company was established with a vision for social responsibility and aims to have a positive impact on local economic growth. Through production and trade, the company strives to help eliminate poverty in Nepal. Proceeds from the original hard cheese chew support initiatives that provide women and girls with access to education, help improve women's employment rate, advocate for fair wages, end child marriage, and boost women's literacy.

Innovation & production

While its first and only product was the original hard cheese chew, Himalayan has innovated and expanded its offerings. Today, it offers a variety of long-lasting,

nutritional dog chews and treats that are distributed to more than 5,000 retailers worldwide.

Himalayan has always been committed to producing cheese chews for dogs that meet the strictest quality and safety standards. Last year, the company opened a new, state-of-the-art production facility in Arlington, Washington, and doubled its production capacity. The facility is fully certified in compliance with the high safety and quality standards of the Safe Quality Food (SQF) Program and Animal and Plant Health Inspection Service (APHIS).

The company's latest innovation – Unhide – is handcrafted in its Washington production facility. A natural alternative to rawhide chews, the cheese and antler chew is long-lasting and easy for dogs to digest. The limited-ingredient recipe is great for dogs of all ages and sizes. ♦

Himalayan Pet Supply
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The pet insurance sector in perspective

Despite the rising cost of living, the pet insurance industry continues to generate demand worldwide. What are the current trends and opportunities, and how can players in this field set themselves apart?

The global pet insurance market was estimated at around \$9.4 billion (€8.6B) in 2022 and this year it is expected to jump to \$10.8 billion (€9.9B), according to recent studies by Grand View Research and Beyond Market Insights. The industry is forecast to grow at a yearly rate of 16-17% until 2030, when it could reach a market value of \$32.7 billion (€29.8B). Europe and North America are the strongest markets, but demand for pet insurance is also growing in other regions such as Asia Pacific.

Generational aspect

So what is driving this growth? The generational aspect is one factor, according to Lane Kent, CEO of insurance firm Independence Pet Group. "We're seeing younger adults delaying having children and getting a dog or a cat instead. In addition, as opposed to older generations, they genuinely consider their pets part of

Value of pet insurance premiums in the US (in \$)

2020	1.98 billion		(+27.5%)
2021	2.59 billion		(+30.4%)
2022	3.2 billion		(+24.2%)

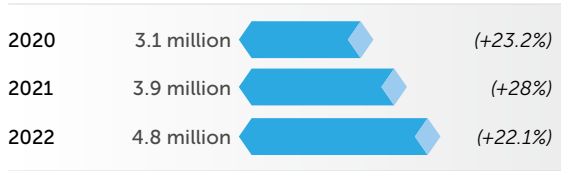
Source: NAPHA State of the Industry Report 2023

the family, and they want to treat them as such. This includes, among other things, having a way to help cover veterinary expenses to keep their four-legged friends healthy," he says.

Rising costs of pet care

Consumers are increasingly aware of the rising costs of pet medical care. Pet insurance company Lemonade found that, on average, American pet parents budget to spend \$1,907 (€1,739) per year – [▶ SEE NEXT PAGE](#)

Number of insured pets in the US



Source: NAPHIA State of the Industry Report 2023

equivalent to 4% of their income – on pet care. Meanwhile, recent research by Credit Summit among 1,200 pet parents concluded that more than 3 out of 10 owners in the US refused to get treatment for their pets because they couldn't afford it.

"Advances in veterinary medicine and rapidly increasing specialization are giving pet owners more options than ever before in providing life-enhancing, life-extending and life-saving treatments. However, the cost of medical services – and with that, the cost of pet ownership – is rising. Insurance provides peace of mind that financial constraints don't have to limit care options," Kent states.

New market entrants

In North America, approximately 5.36 million pets were insured in 2022. According to The North American Pet Health Insurance Association (NAPHIA), this represents an increase of nearly 22%. There are already over 35 providers of pet insurance in the US, and more are entering the market all the time, says Ricky Walther, Chief Marketing Officer (CMO) at Pawlicy Advisor: "We're seeing new players come into the space with innovative ideas on how to broach the pet insurance conversation and show a value proposition to owners."

For example, German conglomerate JAB Holding Company recently acquired a majority stake in Pumpkin, a New York-based pet insurance firm. Last year, the holding's Pinnacle Pet Group took over German pet insurer Agila and Dutch-based Veterfina. Pet retailers are also expanding their offerings into the insurance sector, as illustrated recently by US-based Chewy and Australian Pet Circle.

Differentiation through technology

It is important for pet insurance companies to differentiate themselves in such a competitive market. Technology plays a key role in supporting value-added

Many consumers want to interact with their insurance providers digitally.

services, for instance, to help pet owners provide preventive care or determine how acutely a pet needs veterinary care. Additionally, many of today's consumers expect to be able to interact with their insurance providers digitally and have direct access through apps on their mobile phones.

In this context, however, both Independence Pet Group and Pawlicy Advisor believe that existing insurance companies might not always be in the best position to serve the pet insurance market with their legacy technology platforms. This opens up possibilities for new and innovative companies. "Most of the major players have come to the space without the burden of antiquated systems and processes," comments Kent. "And we've already seen some companies adopting things like AI to help speed up the claim adjudication process," adds Walther.

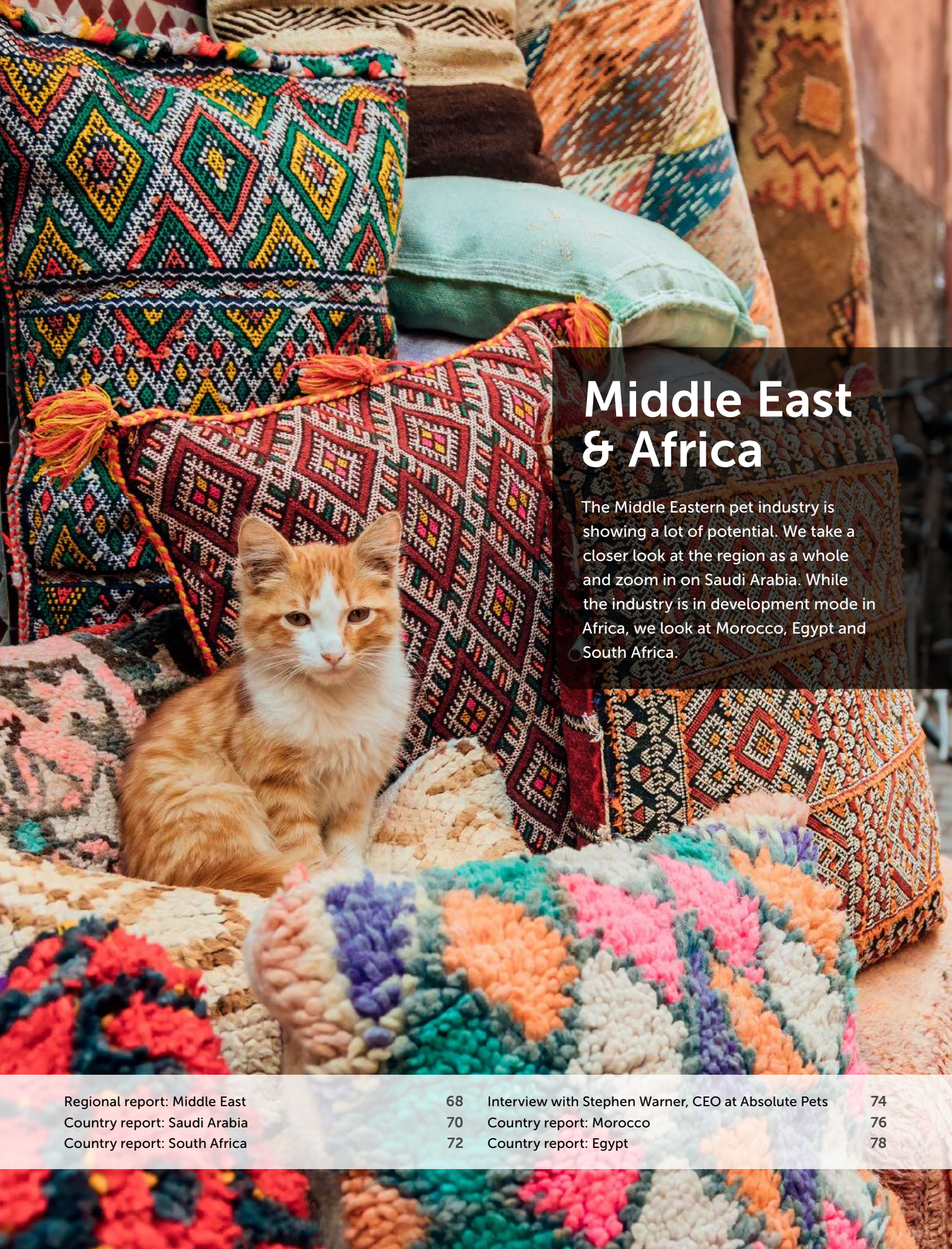
Regional differences in pet insurance adoption rates

There is a trend toward combining pet healthcare offerings with insurance, particularly in the area of preventative medicine or wellness. However, there is some uncertainty about the timeline and extent of this trend. The current focus is on educating pet owners about the benefits of insurance to increase adoption rates of pet insurance. There is certainly plenty of potential for market growth, although there are strong regional differences. In Sweden, for example, most pets are insured (95% of dogs and 69% of cats). In contrast, in the US, it is estimated that only 3% of pets are covered by an insurance plan.

"Right now, the biggest challenge I see is to get the pet insurance adoption rate up in North America in general. As the adoption rate increases, I can see lots of potential ways that insurance companies could move forward to differentiate and position themselves," concludes Walther. ♦



Jessica Suni
PETS International Contributor



Middle East & Africa

The Middle Eastern pet industry is showing a lot of potential. We take a closer look at the region as a whole and zoom in on Saudi Arabia. While the industry is in development mode in Africa, we look at Morocco, Egypt and South Africa.

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Plenty of potential in 'no limits' pet market

A combination of well-informed consumers and demand for all kinds of high-end products and services promises a bright future for the pet industry in the Middle East.

It has been an upbeat couple of years for the pet care industry in the Middle East and North Africa region. According to Redseer Consulting, the industry has grown at an annual rate of 13%, reaching \$800 million (€718M) in 2022. This is much higher than, for example, the retail sector in general, where the growth rate for the past 2 years was around 5-7%.

Recognizing the benefits of pet ownership

Narrowing it down to the Gulf countries, analysts predict that growth in the pet industry overall will remain in double digits for the remainder of the decade. All the positive momentum spurred by the pandemic – which saw a huge increase in pet adoptions due to lifestyle changes, a remote working culture, and more time spent at home – is set to continue.

The recent Pet World Arabia exhibition in Dubai highlighted the fact that rising awareness in the region of the benefits of adopting pets is strongly aiding the market. These benefits include a reduced risk of mental illness, less chance of depression and better concentration levels.

In the United Arab Emirates (UAE) alone, this shifting consumer trend has fueled the pet care industry. The market is now worth over \$300 million (€269M). And local players aim to take the industry to \$2 billion (€1.8B) by 2025. Everything from pet food to services such as grooming, pet daycare, pet gyms, boarding, training and pet-friendly accommodation is seeing a rise in demand.

Premium and local ingredients

The pet food market in the Middle East is forecast to reach \$4.48 billion (€4.02B) in retail sales by 2025,

with an annual increase of 7.8% for the next couple of years.

According to the latest Euromonitor forecasts, the UAE pet food market, which accounted for \$185.1 million (€166.2M) last year, is expected to grow to \$202.2 million (€181.6M) in 2023. In Saudi Arabia, the increase is expected to be even bigger – from \$102.3 million (€91.9M) in 2022 to \$119.6 million (€107.4M) this year.

Pet food is seeing strong momentum, with a new focus on high-quality ingredients and creative branding. As the gap between human and pet food narrows, pet food producers are increasingly following human tastes and nutritional needs. Ultimately, this drives demand for premium ingredients in pet food and a desire for locally sourced and traceable raw materials.

Highly informed pet food buyers




Ventzi Naydenova is Head of Distribution GCC for pet food manufacturer Percuro – a UK insect-based dog food manufacturer also present in the region. She says the company is now seeing better-informed consumers who often study pet food options right down to the individual ingredient level and their place in the pet diet.

According to Ventzi Naydenova, the UAE is one of the most developed markets in the region. Data from Redseer Consulting backs this up, indicating that the spend per pet in the UAE is almost 3 times higher than the equivalent in Saudi Arabia.

Online and offline expansion

The online pet care industry is outpacing the offline market in the Middle East, driven by 'e-tail' platforms expanding into the pet food sector and the rapid

Pet care market size (in \$)

	2022	2023 (forecast)
Israel 	308 mln	332.3 mln ↑ 7.9%
UAE 	232.7 mln	253.5 mln ↑ 9%
Saudi Arabia 	118.2 mln	137.7 mln ↑ 16.5%

Source: Euromonitor International

emergence of veterinary telehealth services. Some of the biggest players in the region are Petzone (Kuwait), Pet Arabia (Bahrain), Pets in the City (Lebanon) and The Pet Shop (UAE), which was recently bought by private equity firm Aliph Capital. Petzone opened its first store in Bahrain not long ago, an addition to its current 50 locations across Gulf countries, most of them in its home base Kuwait. Other locations include the UAE and Saudi Arabia.

'Pet influencers' are also shaping the market across the region, with many pet owners now following these influencers or other pet-related social media accounts and platforms. At the same time, online marketplaces such as Bookmypet.com, and omnichannels like Modern Vet, are examples of a growing trend of start-ups capitalizing on the flourishing online pet industry.

Challenges ...

There are, of course, challenges for the region's pet care market, in particular how to build supply chain resilience. During 2020, pet food manufacturers faced the unprecedented challenges of the global pandemic. Keeping your workforce healthy, procuring raw materials and obstacles to cross-border trade did, in some cases, impact stocks and could impact them again. Another issue is the scarcity of ingredients and the need to manage availability of resources within planetary limits – as well as the environmental impact of sourcing and packaging.

None of this has deterred investors, however. A growing number of big names are making a move into this lucrative market almost monthly.

... and opportunities

Entrepreneur Catherine Granger, who has been at the helm of oil and gas experts Trajan Consulting for 25 years, is launching a new designer label called Chewy

Vuitton right across the Middle East. The entrepreneur says that she's focusing on a new demand for ultra-luxury collars, coats and accessories.

"We've done our due diligence. There is a huge, largely untapped, market for ultra-high-end pet gear in the region, and we are about to capitalize on that gap – especially in countries such as Qatar, Saudi Arabia and the UAE." Catherine Granger defines the Gulf pet market as one with no limits, with a lot of sophisticated pet consumers.

Pet community spirit

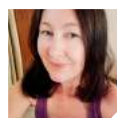
The pet population in the UAE has increased by 3% in the last year. Euromonitor estimates that there are now 928.4 million pets in the country.

Innovation in the digital space is proving rewarding – as can be seen by the rapid rise of Where My Paws At, a lost and found pet app for the UAE. Founder Carlie Leake says that over 500 pet parents have created an account on the app since its launch a few months ago. According to their data, 6 out of 10 pet parents using the app have 1 pet. Users with 2 pets accounted for 22%. Most registered users (26%) live in Motor City, Dubai Sports City, JVC or Jumeirah Golf Estates, while 21% of them live in The Palm.

Expatriate pets

Another segment of the industry that has recently experienced growth is pet relocation. Nader Moursi, Co-Founder of pet taxi firm Chauff-fur, says there is a "significant increase" in the number of dogs and cats being imported to expat hubs such as Dubai and Abu Dhabi.

"We've seen a high demand for airport rides, and customers have frequently asked us for recommendations for trusted relocation companies. Etihad, the leading Abu Dhabi carrier, have amended their policies to now allow dogs to travel in the cabin, subject to destination regulations," he explains. ♦



Emma Procter
PETS International Contributor

Taking advantage of the kingdom's flourishing economy



Financial aid from the government is opening up pet business opportunities in the Gulf nation.

With a population of 32.2 million, 63% of Saudis are aged 30 or under. This is one of the reasons why pet ownership in the country has been booming in recent years. In 2020, the pet care market in Saudi Arabia was worth \$89.7 million (€80.5M), and in 2023 this jumped to \$137.7 million (€123.6M), according to Euromonitor – an increase of more than 50%.

Pet population in Saudi Arabia



Source: Euromonitor International

Government support for SMEs

In addition to the changes in Saudi society – with fewer people getting married and having pets instead of children – the government has been implementing a strategy in the last 2 years that focuses on bringing as much business as possible to the country.

The so-called Kafalah Program, launched by the Saudi Industrial Development Fund together with Saudi

banks, offers loans of up to \$5 million (€4.5M) to small and medium-sized companies (SMEs) that want to establish operations in the kingdom. Pet sector businesses can also apply for these loans.

“With just an idea for a business, you can get a loan guaranteed by the government. You don’t have to provide any guarantees,” explains Mohammed Al Roumi, Founder of Pet Products Trading Company.

More vets

Vet clinics are also benefiting from this support. From 10 clinics nationwide a couple of years ago, it is believed that there are now more than 100. This is partly because the Saudi Ministry of Agriculture helps vet clinics to set up their business and install the equipment they need. Al Roumi’s company, a distributor of pet products and supplies, has also seen an increase in the number of its customers who run a vet clinic.

Production facilities at little cost

The government is currently implementing the Saudi Vision 2030, a strategic framework to transform the economy and open the country to the world.

In the past 2 years, 5 new pet food factories have opened in the central region.

In the past 2 years, 5 new pet food factories owned by Saudi companies have opened in the central region of the country with the help of the authorities in Riyadh. "They are backed by the government from start to finish. This includes the land, knowledge and machinery they need," says Al Roumi.

At the beginning of last year, a new partnership between Calyseo – a joint venture set up by Calysta and Adisseo – and business and project development company Food Caravan aimed to build a 100,000-ton capacity fermenter in Saudi Arabia to produce Calysta's novel protein ingredients. Low land rent also made this an attractive proposition. Renting land for a 9,000 sqm pet food facility can cost as little as \$5 (€4.5) a day.

Pet food revenue doubled

It is believed that there are currently about 25 pet food brands in the country and that demand is increasing. Al

Roumi agrees: "Our revenue doubles each year, and we're constantly out of stock because of the high demand."

Most pet stores in the kingdom selling these brands are independently owned, and supermarkets mainly sell brands from big pet food corporations.

E-commerce fills a gap

The online channel has experienced gradual growth ever since the COVID-19 pandemic started. "If you go beyond the big cities, you don't see many good pet retailers. That's why online is booming and growing every month," says Al Roumi, whose company has 25% of its customers operating in the online pet space. According to the latest data from the Ministry of Commerce, e-commerce transactions registered an increase of 32% in the first quarter of 2023. ♦



David Palacios Rubio
Head of Editorial
GlobalPETS



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The bureaucracy in Africa's southern tip

Pet food manufacturers who want to launch a new product in South Africa currently face a lengthy process that is delaying market access and stifling innovation. What is being done to address these obstacles?

The pet's position is evolving in South Africa. Dogs, especially, are increasingly being rightfully regarded as family members, rising above their long-held role as 'merely' protectors of the home. While this could open up many opportunities for pet food brands seeking growth, the country's legal framework within which producers must operate presents severe hurdles that hamper progress and innovation.

Highly regulated

The South African pet food market is a highly regulated industry under Act 36 of 1947 (Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act). This is supervised by the watchful Agricultural Inputs Control (AIC) directorate of the Department of Agriculture, Land Reform and Rural Development (DALRRD). However, despite a number of regulatory updates, the old law

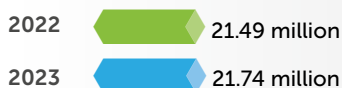
is inflexible and does not allow for the necessary adjustments that would ease the burden on a state department that is understaffed and has not been able to modernize with the times.

Currently, each individual pet food product requires product registration to obtain a 'v number' – or registration number – that must be printed on the product's packaging in order for it to be sold. This process entails a review of the pet food formulation, and verification of nutritional claims, among other things. This ensures that what is communicated on the pack is indeed inside the pack, and that each formulation conforms to the nutritional requirements as laid out in the law.

Delayed market access and stifled innovation

However, what should be a 4-month process to register a new product, or even just a 2-month process to make an amendment, currently takes 14 months or longer and remains a paper-based procedure. This is delaying market access and stifling product innovation. As a result, South Africa is falling behind in terms of global trends.

Pet population in South Africa



Source: Euromonitor International

Market size (in million \$)

Pet food



Pet products



Source: Euromonitor International

Additionally, a grey area in the regulations allows for pet treats that do not make any nutritional claims to be sold without registration. This loophole, coupled with the extended processing time for applications, has created an uneven playing field in which certain companies play by the rules (and shoulder the burden of delayed product launches), while others bypass them. This is causing a proliferation of unregistered products being sold to the public who are none the wiser, by various retail sectors that are uneducated on the legal requirements for pet food.

Retailers, consumers and pets at risk

The risks associated with selling and purchasing unregistered pet food are shared by retailers, consumers and their pets. Retailers caught selling non-compliant foods may be liable for a fine or jail time. Meanwhile, pet food products that have not been approved in the technical registration process can pose a risk to the pet, who may be consuming unbalanced and nutritionally depleted foods.

As part of its commitment to the nutritional well-being of South African pets, the Pet Food Industry Association of Southern Africa (PFISA) promotes the sale of safe and nutritious pet foods and is therefore active in assisting with policing the industry. Retail outlets are surveyed and formal complaints are made to the inspectorate arm of Act 36 to highlight non-compliant foods to the regulator, in an attempt to ensure the best use of the department's limited resources.

The annual consumer spend on pet food and accessories is expected to grow by 2.5% by 2026.

Growth market warrants attention

According to the latest 2023 Euromonitor data, there are 21.7 million pets in South Africa. This is an increase of approximately 250,000 compared to last year. The annual consumer spend on pet food and accessories is estimated at R8 billion (\$452M / €411M), and this is expected to grow by 2.5% by 2026.

This sizable market clearly warrants the necessary attention to address the obstacles that are preventing fluid and competitive market access. As such, a great deal of focus is being given to regulatory reform through the new Feed and Pet Food Bill that is currently in draft status.

The overall intention of this bill is to shift the requirement from individual product registration to facility licensing and registration of raw materials. The bill may also enable government departments to outsource their duties when capacity issues prevent them from functioning optimally. Once this new legislation has been successfully promulgated, pet food manufacturers can hopefully look forward to less frustration and the fairness of a single set of playing rules.

However, an implementation date is uncertain due to the commentary received on the draft bill having to be addressed by those same resources that manage product registrations. As in many industries in South Africa, the private sector is becoming increasingly active in partnering with the government to resolve core issues affecting the pet industry.

Industry associations like PFISA will continue to play an important role in facilitating such assistance and driving regulatory reform. ♦



Dominique Kuhlmann
General Manager
PFISA

Stephen Warner,
CEO at Absolute Pets

“We are encouraged by the resilience of super premium pet food in South Africa”

Pet retailer Absolute Pets looks to increase in-store services while speeding up delivery times for omnichannel buyers.



With most of the pet supplies in South Africa still being purchased in-store, the country's largest pet retailer focuses on providing advice and customer service across its network. In the last 5 years, Absolute Pets added 90 stores and its revenue jumped by 300%. PETS International had a chat with the firm's CEO, Stephen Warner.

Where are South African owners buying their pet supplies?

Grocery stores account for about two-thirds of retail sales. Vets and the specialty channel are still very significant, with the latter growing the fastest over the last 5 years. We are the leader in that space with 155 stores across South Africa. In fact, we are in all but 2 of South Africa's provinces and cover about 60% of the population. Our strategy is to be closer to where the customers are going and provide for their product service needs. We are also located in malls, which makes pet shopping convenient.

How would you describe the average profile of your shoppers?

7 out of 10 of our shoppers are female, aged 25-40. Just over 70% of our customers have at least 1 dog. Customers in our most common profile have 2 canines – most of them small breeds – and 1 cat.

What are the particularities of South African pet stores?

The shops are much smaller compared to those in other countries – usually around 100 sqm – and their main focus is on providing advice and personal service. Bigger-box formats including services like grooming and vet are growing, although they are still relatively small. Around 10% of our stores have a pet spa (grooming parlor).

How strong is the competition?

There has always been a high level of competition in the South African market. The competition between e-commerce, vet clinics and chains run by corporations has led to supermarkets losing market share. But they are responding with store concepts featuring both private label and supermarket products and improving the mix of accessory items.

What impact is inflation having on the sector?

Discretionary items such as clothes, toys and the like have seen more pressure. Inflation is probably not quite at the levels of Europe; we have been between 10 and 13% over the last year or so. Accessories underperformed that growth by around 5-8%. They didn't experience negative growth, but less growth than the other categories.

How's consumer behavior changing in these times?

Trends within South Africa have always focused on super premium nutrition, and we have been very encouraged by the resilience of that segment. Pet parents are not compromising on giving their pets the best nutrition for a healthy and happy life, and that also extends to the health and wellness products we sell. There's also a trend of moving to more value items, but in general we've seen that most people have stuck to their brand.

What are the trends in online purchasing?

Online sales across all retail, not just pets, are relatively low (7.5%) in South Africa. This year, the forecasts predict 25% growth. We do see e-commerce growing faster than traditional channels, but there's still a very strong preference for going into stores and engaging with staff. We've seen that, as the staff are highly trained,

they're able to give expert advice to customers. We also have a group of customers with a clear preference for both bricks and mortar and e-commerce. Our approach is definitely omnichannel-focused, and besides our physical stores, we have a website and an app where we offer delivery within 1 to 3 days at an affordable price.

You recently launched a 1-hour delivery service. How does that work?

We fulfill demand from our 155 stores and use a logistics partner to do last-mile delivery. From an economic point of view, we are able to deliver products in a cost-effective way as the customer is prepared to pay a convenience fee for the time saved. We do have to increase the level of stock that we hold in-store to cater to the increase in demand. To facilitate the deliveries, our app is integrated with our logistics partner.

How are your private label brands performing?

The brands have resonated strongly with the customers and have been performing well in terms of product quality and the benefits provided. In the current environment, the value aspect has also helped. The large price increases from international brands seem to

have forced pet parents to look for alternative products and I think private label has taken up that opportunity.

Do you have plans for international expansion?

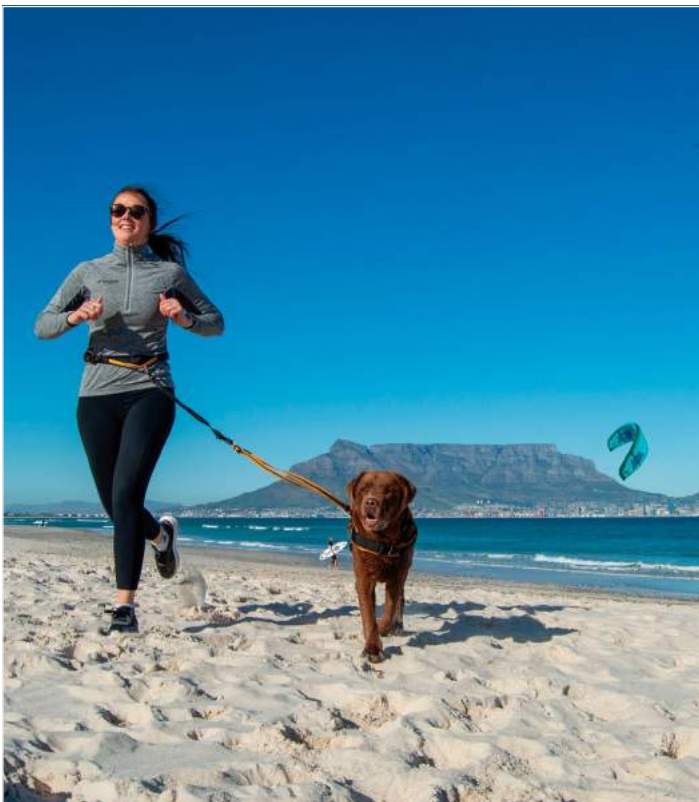
At the moment we don't have any aspirations to expand outside of South Africa or potentially the neighboring countries. There are opportunities within the Southern African space and it's a market that we know and understand.

What's next for Absolute Pets?

We're going to continue to increase our real estate, increase the number of stores and focus on our e-commerce and omnichannel capabilities; we'll be putting significant investment into that aspect. In the next 3-5 years, we would look to add about 100 stores. We would also aim to cover 80-85% of the market. ♦



David Palacios Rubio
Head of Editorial
GlobalPETS



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For 27 years, Rogz has been guided by the vision to be the most enjoyed pet brand on planet Earth and beyond. Continuous developments in manufacturing techniques have ensured that the company stays true to this vision by producing products that are functional, fun and innovative.

"Rogz is a true South African story of hope," say its co-founders Paul Fuller and Irené Raubenheimer. "As a city and a country, we have a lot to offer the international market. We've got a unique DNA, a flavor and culture that people really love. We are creating hope for the future and inspiring people."

Rogz pet gear is safe and trusted, connecting humans to their pets with solution-based and high-quality products. The products are made in Cape Town and sold in 90 countries.

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Snapshot of a still undeveloped market

In the relatively poor and young Moroccan market, the pet food sector is growing slowly but steadily.

With an estimated 5.2% of the population in Morocco living in poverty in 2023, financial considerations are just one of the many obstacles that are hindering the pet industry from taking off in this country. Nevertheless, the number of pet owners is on the increase.

Pet population

For 2023, the pet population in Morocco is forecast to rise to 2.65 million pets, an increase of 5%.

It is believed that 34% of Moroccans owned at least one pet in 2022. According to market research company Sunergia, most had cats (64%) and dogs (37%). Birds represent 19% of the pet population in the country, followed by chickens (4%).

Pet population in Morocco



Source: Euromonitor International

Due to religious beliefs, dogs are usually seen as dirty animals. On the other hand, cats are considered clean animals. It's the main reason why experts believe that the cat population will increase in this North African country.

Research carried out by Euromonitor points out that increasing urbanization and the rising influence of Western lifestyles will also help boost pet ownership.

The market

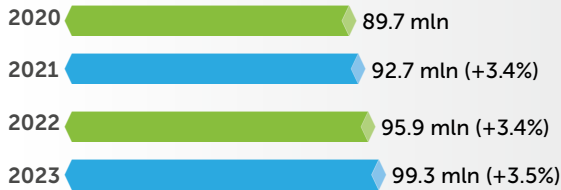
This year, the local pet industry turnover is forecast to be worth \$110.1 million (€99.2M), according to the last data from Euromonitor. This represents a 3.2% increase, mainly driven by the performance of the pet food industry.

In fact, the pet food segment accounted for \$95.9 million (€86.46M) in 2022 and it is expected to increase by 3.5% this year.

According to the Office des Changes, last year Morocco imported \$118.4 million (€107.5M) worth of pet food, an 11.3% increase. Pet food products are mainly imported from France (30%) and Spain (22.4%).

There are little or no local manufacturers. The leading brands that can be found in the bricks-and-mortar shops are from big manufacturers such as Mars (33% of 2022 revenues), followed by Nestlé (10%) and Nutrivet (4%), according to Euromonitor.

Pet food market size (in \$)



Source: Euromonitor International

Retailing

Normally, purchases in Morocco are made in-store. Pet products can be found at a few independent stores and major supermarket chains such as Carrefour and Marjane.

While internet sales rose by more than 1% in the last year, consultancy firm Kepios concluded that nearly 6 million people in Morocco – 15.9% of the population – did not have access to the internet in 2022.

Obviously, this limits the options for consumers to purchase pet products online. Euromonitor research concluded that only 11% of cat food retail sales were made online, and dog food e-commerce was even lower at 5%.

New legislation

A 2020 report by the National Institute of Health concluded that rabies was rife, with an average of 391 animal and 22 human cases each year: "The close relationship between the human and canine population is a major risk factor for disease occurrence." The Moroccan government recently acted and proposed legislation aiming to reinforce the legal framework and regulate contagious diseases that affect domestic animals. ♦



Olivia Hooper
Associate Business News Editor
GlobalPETS



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Local pet food brands benefit from financial crisis

While pet parents face challenging times due to record inflation rates, high import taxes are a golden opportunity for Egyptian pet food producers to gain market share.

The economic downturn in Egypt is having a significant impact on the pet food industry. Both the depreciation of the local currency and import restrictions have made imported pet food less dominant in the market. Locally manufactured products have benefited, with brands thriving over the past year – and this growth is expected to continue.

Currency crisis

According to Euromonitor, the country's pet food market was worth \$13.7 million (€12.3M) last year and is expected to reach \$15.3 million (€13.7M) in 2023.

Importers depend on banks for exchanging Egyptian pounds for foreign currency. But since the Ukrainian invasion, when foreign bond investors pulled \$20 billion (€18B) out of Egyptian debt, banks no longer exchange currency for certain imports which are considered non-essential. That includes pet food.

Simultaneously, the government has taken steps to restrict the import of non-essential goods, with pet food topping the list. Tariffs and taxes have increased by 40%.

Prior to the currency crisis, imported brands such as Royal Canin, Nestlé Purina and Hill's Pet Nutrition dominated the market. But pet food distributors warn that prices have increased by up to 100% since last year,

and some imported products have disappeared or are on their way out.

"The market in Egypt was growing. But over the past year, we've almost stopped importing, because banks don't provide any hard currency for importers in our field," says George Sami Gerges, owner of Sami Pet Shop, a Royal Canin importer.

Reduced imports

The difficulties with imports have stimulated local manufacturing, with alternative brands such as Alpha, Migma, Legends and Ozzo emerging to cope with the demand.

"There is a significant reduction in the number of imported goods on the market, and some items have disappeared altogether. So people have started looking for alternatives, which has helped some local products," says Omar Ibrahim, a pet shop owner and veterinarian. He explains that local products were unpopular before the crisis began last year. They represented less than 5% of market share, while this share now exceeds 30%.

Mixed opinions on quality

Some breeders have complained that local products are not of the same quality as the imported ones, and that their pets cannot adapt to them.

Local pet food products represent around 30% of market share.

"We've tried these products, but we are not satisfied with them, and the prices are quite ridiculous," explains Dina Zulficar, an animal and wildlife rights activist.

"Local production will not cover the market's needs because all the manufacturers lack experience," says Gerges, whose family has worked in the sector since 1954.

Omar Ibrahim, however, defends the locally produced pet food and says that the quality equals the price. "We are trying as much as possible to rely on the local industry, because the future belongs to it. To depend on the importer is not sustainable."

Owners struggling to afford their pets

Egypt has a large and growing population of pet owners, and the demand for high-quality pet products and services is increasing. But high inflation – prices increased by some 40.3% in May 2023 – is really affecting purchasing power. The Egyptian middle

class, which has driven the growth of the local pet industry, is suffering as a result. Some try to adapt by preparing their pet's food at home. Others cannot cope and abandon their pets on the street or take them to shelters.

The country has no official pet population data because most owners don't register their pets. Euromonitor data concludes that in 2022 there were 4 million pets, and this is expected to increase by 90,000 this year.

Other figures, from the Egyptian Society for the Prevention of Cruelty to Animals, estimate the number of household pets at 8 million – 5 million cats and 3 million dogs. Plus almost 50 million stray dogs and more than 100 million stray cats that live on the streets of Egypt. ♦



Magdy Samaan
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