



PETS International

part of  GlobalPETS

Since 1988 | December 2019

Food, ingredients & production

DCM, allergies and cultured
meat in the pet industry.

Litter

Sustainability calls for
out-of-the-box thinking.

China | Russia

Highlights of the Chinese
and the Russian market.






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Highlights this issue



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Food, ingredients & production

How we can start earlier to prevent DCM, an overview of allergies and how to cope with them, an in-depth analysis of cultured meat in the pet industry... and more.



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Litter

Sustainability is reshaping the litter segment. But can new alternatives meet the requirements of both pets, their owners and the environment?



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China

The Chinese pet market is wide, varied and growing, with cats ousting dogs as favourite pet. What are the effects – negative and positive – of the US-China trade war on the global pet market?



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Russia

Russia's pet market has huge growth potential and the pet retail sector is ready for this. Read all about the main players in this sector and the vibrant atmosphere at ParkZoo 2019.

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Predictions in turbulent times

The sustainability trend, the ongoing trade war between the US and China: just two developments that are impacting the global economy. In this transitioning world much is changing. What were fixed trade patterns are shifting and new, alternative markets are emerging. But the influence of geographical and political regions is also shifting. That is why in this issue we are putting China and Russia in the spotlight.

But, every disadvantage also has its advantages, as two investment managers show in this issue, where they give their views on the trade war on the American versus European pet market. They each speak from their own American or European vantage point and provide interesting and divergent insights into where opportunities are to be found.

Recently, PETS International toured Russia, visiting several Russian companies. In this issue, we report extensively on the trends and developments in this exciting pet market. It is a market that is in full swing, preparing itself for a substantial growth in the coming years.

Another growth market is the litter market. In fact, it is currently one of the most interesting segments in our industry.

It is a segment that is being reshaped by new regulations, sustainability trends and trade wars. To get a full understanding of where this segment is heading and its full potential, we conducted a global market survey amongst seventeen cat litter manufacturers. In this issue you can read all about what they had to say about the future of litter.

We all know that allergies are one of the major challenges in the pet market. In this respect, novel proteins play a crucial role. We discuss the latest, new ingredients that are being brought to market and their effectiveness in reducing pet's allergic reactions.

As 2019 draws to a close, this is this year's final issue. Like you, we are looking forward to 2020: an Interzoo year. WZF, the owner of Interzoo, recently appointed Katharina Engling as their new chairwoman. We spoke to her about her ambitions with Interzoo. Read about her plans in this issue.

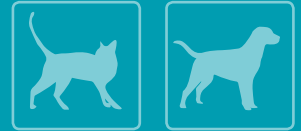
On behalf of the whole PETS team, I wish you happy holidays and a healthy and prosperous New Year!

Corine van Winden, CEO



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Upcoming issue | Advertising deadline: 7 January 2020 | Publication date: 31 January 2020

Contact head office (see page 68) or local representatives (see page 67).

Pet industry highlights



GlobalPETS Forum

22 to 24 January 2020
Grand Hyatt Athens
Athens, Greece
globalpets.community

PATS Sandown 2020

9 to 10 February 2020
Sandown Park Racecourse
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Correspondence may be edited for clarity or length.

New production facility Kemin Nutrisurance in Brazil

Kemin Nutrisurance recently opened its newly expanded 5,000 sqm production facility in Vargeão, Brazil. The \$6 million (€5.4 million) expansion increases the facility's raw material capacity by 900% and finished goods storage by 1,500%. This allows Kemin – a global ingredient manufacturer that strives to sustainably transform the quality of life worldwide with its products and services – to serve more customers in South America and around the globe. Brazil is one of the top pet food markets in the world. According to Euromonitor, the country's pet food growth is thought to be driven by more Brazilians moving to urban areas and having children later in life. They choose small dogs and cats as companions.

The facility is currently certified to serve countries in South America and Europe and is in the process of approval in the US. It is GMP-certified for food safety and quality and uses a LEAN manufacturing programme for process and product quality improvement. Kemin is finalising food safety certification FSSC 22000.



Cosmos Corporation acquires Urine Off

Cosmos Corporation, a pet care product manufacturer, also known from the brand TropiClean, has acquired a portfolio of bio-enzymatic pet urine odour and stain removal products under the Urine Off®, Zorb-it-Up® and Urine Buster® brand names. "These brands offer a portfolio of products that expands our reach and enables



us to grow within the pet industry. Both companies share a common goal to innovate products for the enrichment of pets and their people. The acquisition allows us to expand into the cleaning category with established brands," says Landon Hobson, CEO, Cosmos Corporation.

Better Choice Company announces agreement to acquire holistic pet foods leader Halo, Purely for Pets

Better Choice Company, an animal health and wellness CBD company, has signed a definitive agreement to acquire holistic pet foods leader Halo, Purely for Pets®. The Halo management team, led by branded consumer food and animal health veteran CEO Werner von Pein, will continue to manage the Halo business. Halo's name and brands are not expected to change as a result of the transaction.

Pet industry highlights



Fressnapf warehouse grows to over 34,000 sqm

Ten years ago, the Fressnapf Group commissioned its biggest FMCG warehouse in Germany. Up to now, more than 400,000 pallets of pet food and accessories have been supplied annually from this location that covers more than 20,000 sqm. It is also the main hub for supplying international Fressnapf and Maxi Zoo stores in Switzerland, France and Italy.

The warehouse floor area was recently added on to with an additional 10,000 sqm of warehouse space. In addition, 4,000 sqm of additional premises were built, and a new truck park and an extension of the pallet ramp were added. All work was completed in less than ten months. Around €10 million (\$11 million) were invested in construction and technical equipment. The warehouse will supply over 100 additional stores with a larger range of goods. Polish Fressnapf Group stores will also be supplied from this location.

Ikea: new pet products after major recall

Throughout its company history, Ikea has recalled tens of millions of products for safety reasons. In some cases it concerned products that caused grave bodily injury. Last summer saw a recall of a different kind. The Swedish furniture giant recalled a water-dispensing pet bowl, after two dogs had suffocated after their heads became trapped inside. Ikea's new pet product is all about maximum pet safety.



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Pet industry highlights



JRS appoints Technical Application Manager for the Eastern European markets

J. Rettenmaier & Soehne (JRS) appoints Nasiha Imamović as its Technical Application Manager Petfood for Eastern European markets. Nasiha will be responsible for all

current petfood accounts as well as increasing the market awareness of JRS broad portfolio of high-quality fiber ingredients. Nasiha brings more than 10 years of experience in product development and marketing of petfoods and aqua feeds to her new role. "Her extensive expertise in creating holistic pet foods will be a great benefit to our customers in the Eastern Europe region as our partners continuously strive to meet the growing needs of pet parents and their pets for better health and wellbeing", says Peter Graff, International Key Account Manager at JRS.

zooplus AG: accelerated growth over first nine months of 2019

zooplus zooplus, Europe's leading online retailer of pet supplies, recorded sales of €1.1 billion (\$1.2 billion) in the first nine months of 2019 (9 months 2018: €974 billion / \$1.1 billion). This represented a growth of €130 million (\$145 million), or 13%, compared to the same period in the prior year.

Total sales were primarily driven by business with existing customers. Adjusted for currency effects, the sales retention rate over the first nine months of 2019 remained at a high level of 91% (9 months 2018: 95%). New customer business continued to develop favourably with the number of registered new customers rising year-on-year by 25%.

Sales of private label products of food and litter in the first nine months of 2019 continued to grow at an above-average rate of 29%. Dr. Cornelius Patt, CEO of zooplus AG, commented on the company's performance saying: "We achieved a slight acceleration in growth in the third quarter of 2019 compared to the first two quarters. With a rise in sales of €47 million (\$52 million) over the prior year's quarter, we have clearly continued our growth path and have expanded our leading market position in Europe."

GlobalPETS Forum 2020 22 to 24 January, Athens, Greece 80% of the seats are sold!!

GlobalPETS Forum, also known as the network platform, offers a lot of inspiration to keep your company aligned with today's changing environment. To inspire you we present our prominent pet industry speakers.



Prominent pet industry speakers



Florian Welz, Zooplus CCO, will take us with him into the world of Zooplus. How does the company manage today's customers? How do they retain and get new ones? What do they know about their customers? How do they get into their hearts? And how do they work with their suppliers to make sure they deliver what the customer needs?



The Bethowen group is one of the biggest pet retail chains in Russia, in the hands of **Levan Vasadze**. Levan will share with us how they are managing their brick and mortar pet shops combined with an online platform.



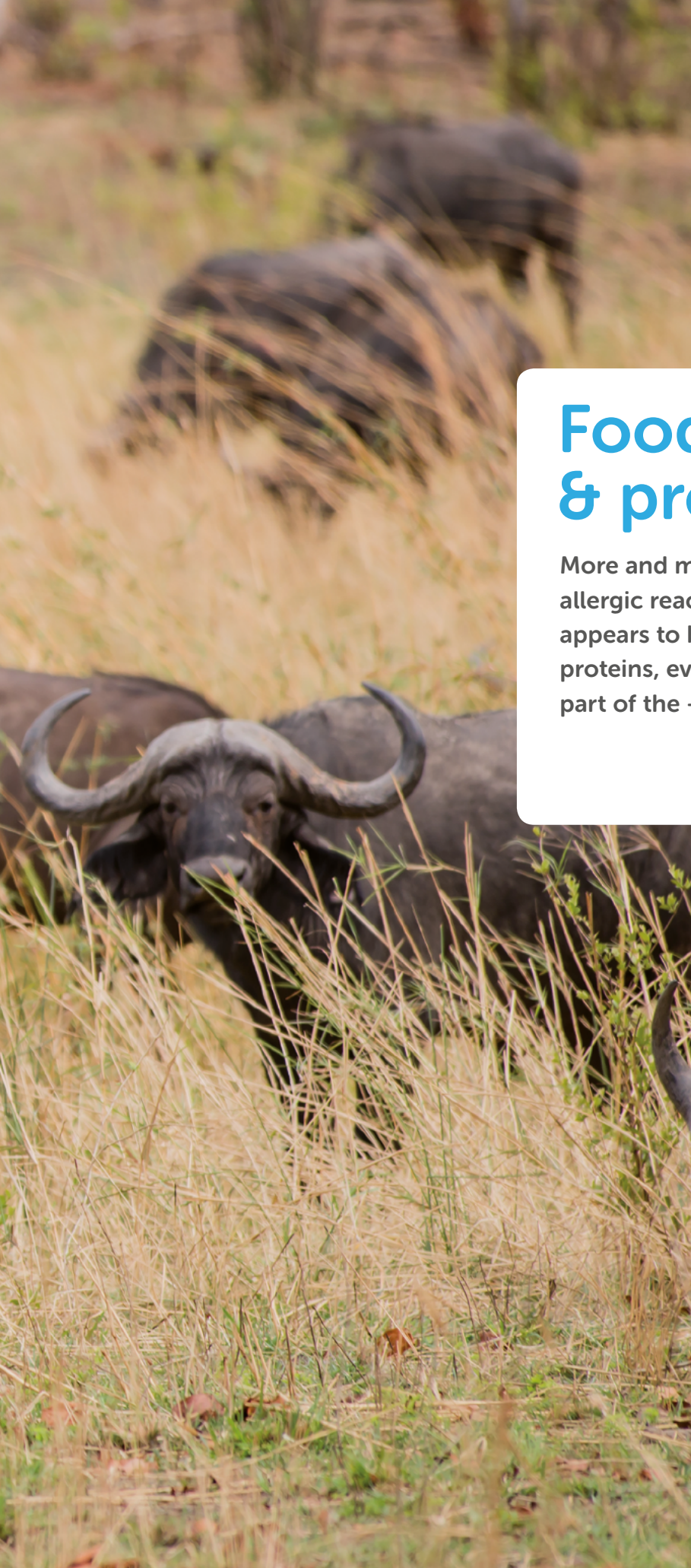
We cannot say it enough – it is important to cooperate throughout the supply chain to be able to deliver what the consumer really wants. How does a manufacturer/distributor see the consumer? Who better than **Tom Pletcher** to share these insights with us. He has had a long career in the pet industry, most recently as former VP International Business Development at Blue Buffalo.



Michael Sapp, former Merchandising VP at PetSmart, will share his thoughts with us on how to get into the heart of the consumer in today's world: do we approach them as pet owner or pet parent? To build a relationship, and to maintain it through omni-channels as a retailer, is a real challenge. What exactly are these challenges? How do we overcome them and what is the vital role of suppliers?

For further information: globalpets.community/europe





Food, ingredients & production

More and more pets are showing signs of allergic reactions. How to combat what appears to be a growing trend? Novel proteins, even cultured meat, may be part of the – more sustainable – answer.

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Dilated Cardiomyopathy in dogs Look to the beginning – not just to the end

The end of any pet's life due to disease is difficult. The responses are with medication, abrupt nutritional change and lifestyle adjustments. Given our pets' short lives, the true change must start in the beginning. We should have fed them differently, gone on walks together and kept them more fit.

Weight management dramatically impacts disease

Statistics show that 40% to 50% of all dogs are overweight and over 15% are obese. We all know that consumers feed a myriad of edibles, ranging from 10% to 30% more calories. We believe this may be as high as 50%. What would this do to a 'complete and balanced' food?

We can change the path through life, but can we change the beginnings?

DCM was reported in dogs as early as in the 1980s within 0.5% to 1.1% of the overall population (Fioretti, 1988; Purdue, 1991; Sisson 1995). Was DCM not a concern then? Literature reveals many breeds as 'high-risk' (even higher rates than 1.1%). Our research of peer-reviewed articles currently shows more than 25 breeds as 'high-risk' and an additional 30+ breeds as having been diagnosed with DCM.

Can we have an impact on DCM through genetics?

Dogs are often considered an ideal model for many human genetic diseases, including DCM. Wilson (2012) wrote that dog studies make it easier to identify the genetic basis for disease.

The genetic pool of many breeds is limited as is the understanding of how to pick breed pairings. Recently, genetic marker-kits became available in some breeds to help pair selection. Breed popularity shifts regularly, making the potential for health disorders greater. Granholm (2009) stated that breeding interventions would be beneficial to reduce the risk of the development of DCM due to poor breeding selection.

Rishniw (2011) reported that genomic testing in Doberman Pinschers showed specific genes directly involved in DCM, with one gene directly connected to glucose metabolism.

AFB IS ADDING MORE WET CAT FOOD PALATABILITY SOLUTIONS.

Gilliam (2016) tested 69 different breeds with inherited diseases with whole genomic sequencing and specifically tested 753 Standard Schnauzers where 21 had DCM. 20 of these 21 had the specific deletion allele involved with DCM onset. The remaining 732 did not have this abnormality.

Hypothesis can be made simple, stating peas, legumes or taurine are causes of DCM when careful nutritional study has not been done. The FDA's data reveals over 75% of the dogs reported are in the genetic 'high-risk' category while many other breeds have been reported with DCM.

Prudent and wise

I remember watching old TV Westerns where the mob rushed to the sheriff's office to lynch the accused. The wise sheriff sent them all home to await real investigations.

DCM has long been reported as a genetically-induced disease (heritable). Over-feeding is a growing issue leading to severe nutritional imbalance and impact upon health. Let's be prudent and careful. We should tell consumers that DCM is genetically pre-disposed in many breeds. Consumers should know their breed and feed them with complete and balanced foods while treating wisely and keeping them fit. Change the beginnings. ♦



Dr. George Collings
gcollings@cnutritionalsolutions.com
cnutritionalsolutions.com



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Cultured meat: is it a viable alternative protein?

Cultured meat has come a long way in the last twenty years. Today its appeal is growing, not just for human consumption, but also for use in the pet foods industry.

A growing appetite

Cultured meat, also sometimes known as 'lab meat' or 'clean meat', is essentially the in vitro cultivation of animal tissue from a few stem cells from an animal.

Growing environmental, social and cultural pressures have driven considerable investment and scientific advances in the development of cultured meat for human consumption. In particular, there is increasing recognition of the unsustainability of intensive livestock farming as a way to feed the growing global population.

Why consider cultured meat?

Cultured meat for the pet food industry would likely have different requirements than that being developed for human consumption. In the human market, meat is quantified and valued according to parameters such as tenderness, colour, pH, protein and fat content, flavour, and even shrinkage. Whereas, in the pet industry, protein and fat content are key, together with ingredient digestibility and palatability. Digestibility and palatability are evaluated quite differently for pets than for humans and may be easier to satisfy, opening up the opportunities for the development of cultured meat for the pet industry.

A brief timeline on the development of cultured meat

- 1971** • The first in vitro culture of muscle cells was performed by Russell Ross.
- Early 2000s** • Jason Mathay performed original research on cultured meat.
 - NASA carried out research into producing cultured meat from turkey cells.
 - Worldwide patent on cultured meat using a collagen-based technique filed.
 - NSR works on culturing goldfish cells into fish fillets.
- 2003** • Mark Post, Professor at Maastricht University produced the first proof of concept of cultured meat with the first burger produced directly from cells.
 - Mosa Meat anticipates commercialisation of its cultured meat products by 2021.
 - Harvard University experts begin work on cultured meat.
- 2008** • PETA offered a \$1 million (€0.9 million) prize for development of lab-grown meat from chicken.
 - The Dutch Government also invested \$4 million (€3.6 million) in cultured meat production.

Potential nutritional benefits are also interesting, as cultured meat would be highly consistent in quality and there is the potential to fortify it, for example, with beneficial fatty acids. Greater quality control also means less risk of contamination.

Obstacles to commercialisation

Scalability is the main challenge in cultured meat development. The main focus at the moment in cultured meat technology is in developing larger scale production equipment and facilities. These are the bioreactors that will enable commercialisation of cultured meat.

Cost is also still high. Memphis Meats estimated the cost of production of cultured beef at \$5,280 (€4,784) per kg in 2017. But that cost is coming down rapidly and is expected to become competitive with 'real' meat within the next few years.

Is it coming soon?

It is anticipated that larger scale production will be possible in approximately five years. Whether cultured meat will become a viable ingredient in pet foods in that timescale depends on the speed of commercialisation, economics and other market factors. Perhaps initial development might only be in niche brands? ♦



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Allergy reducing pet proteins

Many ingredients have been associated with adverse food reactions. What is special about them? Does a truly hypoallergenic diet exist?

Top pet food allergens

While the overall percentage of dogs and cats that have food allergies is low, there are some ingredients that are associated more with confirmed cases than others. The most commonly reported food allergens are: beef (34%), dairy (17%), chicken (15%), wheat (13%), soy (6%) and lamb (5%).

How allergens can change

The likelihood of allergy development increases with exposure, so it is possible the most common allergens will change over time if the general diet of a companion animal is adjusted in order to avoid the currently implicated ingredients.

Do 'hypoallergenic' products exist?

To begin with, the term hypoallergenic is actually incorrect: strictly speaking, all foods are antigenic, because they are foreign proteins. In practice, a lamb and rice product, for example, may be novel and nonallergenic to one dog but highly allergenic to another.

A novel protein is a food or ingredient that the animal has not eaten previously, and it is therefore less likely to be recognisable to the 'memory' of a pet's immune system. Novel protein veterinary diets include ingredients such as rabbit, venison, fish, duck, or kangaroo. In theory, other pet foods rarely use these ingredients, so previous exposure in pets is not likely. However, more and more

products are becoming available with these ingredients, so attention is turning to even newer, alternative protein sources such as insects, mycoprotein and cultured meat.

Hydrolysed diets are not designed to be novel. These products have proteins that have been broken down into smaller peptides. They are so small that the immune system no longer reacts to them, unlike intact proteins. Hydrolysed veterinary products are complete, balanced and suitable for long-term feeding.

Limited ingredient diets

Limited ingredient diets are over the counter products that contain unusual ingredients or a single protein source. Speciality pet stores may stock different foods that are marketed to certain consumers looking for alternative veterinary diets. However, some commercial foods have tested positive for proteins even when they are not listed on the label. Therefore, such foods are not ideal for food-allergic animals, at least in the early stages of diagnosis and treatment.

Unfortunately, food labels do not always tell the whole story. ♦



Karolina Holda, PhD
Advisor, trainer and speaker,
Canine & Feline Nutrition
kontakt@karolinaholda.com
karolinaholda.com



Diana Pet Food FRANCE

Investing in a sustainable future

Diana Pet Food, a global leader in high value solutions improving pets' well-being and owners' satisfaction, unveils a global investment plan and a new eco-friendly factory model.

The Closer the Better

The ambitious investment plan emphasises local, sustainable development to increase the company's production capacities and ensure it can respond to customer demand for its multiple products and services, enhancing pet food palatability, pet health, pet food protection and innovative scent and care solutions.

Four major projects embody the company motto 'The Closer the Better', communicating the company's aim to

grow closer to its clients and ensure a consistent supply.

New factories in Latin America

In February 2019, work began on a new concept factory in Tocancipa, Colombia, which will result in local clients in the Andean region seeing a significant decrease in delivery time: from the current average 20-day boat-trip to a 2-day truck-drive.

Further strengthening the company's presence in Latin America, the

construction of a new Brazilian facility in 2020 – in addition to the existing factory in Descalvado, in the State of São Paulo – will triple production capacity in Brazil. Construction will comply with the company's global food safety standards and will be conceived under the 4.0 industry model with full automation delivering high operational efficiency.

Innovative expansion in Europe

Meanwhile in Europe, the company continues to invest on the site of its headquarters in Elven, France. In response



Food, ingredients & production

help the company to fully understand the parameters impacting palatability throughout clients' production lines, and adapt its products to their constraints.

Strengthened presence in Asia

Finally, after the opening of a first industrial site in China in 2016, the company will strengthen its operations in the Asian pet food market in 2020, with a new factory equipped with a dryer and an expert measurement centre.

CSR in practice

With a global presence on five continents, 1,050 employees, 17 industrial sites, 18 sales offices and 3 expert measurement centres, the company is conscious of the need to implement new developments with a Corporate Social Responsibility (CSR) mindset to minimise its social and environmental footprint and prioritise sustainability.

Eco-friendly factory model

An example of how the company is seeking to do this can be seen in the new concept Colombian factory. It will be the company's first factory to be conceived taking into account the CSR approach, from the building design to the final products coming out of the factory, the well-being and safety of the workers and involvement with local communities.

The building will have a minimum impact on the environment, following the LEED certification standard based on criteria from seven categories that

address key aspects of green buildings. Examples of initiatives that will meet the criteria include the collection and use of rainwater for sanitation, the optimisation of site energy consumption (through specific ventilation, heating, and lighting systems) and the installation of photovoltaic systems. The objective will be to obtain a gold LEED certification.

Measuring environmental performance

Thanks to a new, dedicated tool developed internally – the Eco-design matrix – the new factory will be able to assess the environmental performance of its products throughout their life cycle: from the extraction of raw materials through to processing, transportation, packaging and up to the delivery of the products to the company's clients.

This new factory will pave the way for the company's future industrial projects and assert its ambition to embed its CSR approach in its DNA. ♦

to growing demand for powdered products, April 2018 saw the opening of a second dryer. Started in 2019, a 1,500 sqm extension of the production site, which includes the storage and reception areas for raw materials and final products, is designed to meet the increased capacities generated by the second dryer. It will also improve circulation within the factory, ensuring safety and increasing efficiency.

The construction of an extrusion line at the end of 2019 will mark the first phase of a new innovation centre. Installed in partnership with an extruder manufacturer, this unique equipment will

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Nutritional requirements of small animals

The small furry market is an increasingly important sector for pet food manufacturers and covers a number of different animal species. But not all small furry animals are equal when it comes to nutrition.

Small animals, big differences

Broadly speaking, rabbits, guinea pigs, chinchillas and degus can be considered 'fibrevores' while rats, mice and hamsters are omnivores and ferrets obligatory carnivores. But there is a lot more to understanding the nutritional needs of small furry pets than that.

Rabbits

Fibre is an essential part of the pet rabbit's diet and is required to maintain normal gut function, dental wear and to provide substrate for normal fermentation in the caecum. Fibre can come from either a compound feed or forages, although the advice should always be to feed good quality hay as well.

Rabbits continue to absorb calcium from their food, even if they no longer need it. So it is advisable to limit calcium to around 1%* of the total diet and ensure a balanced calcium:phosphorus ratio of between 1.5:1 and 2:1. Feeding guidelines for

prepared rabbit feed should be clear and indicate that it should be fed alongside forage, suitable fresh vegetables in small quantities, fresh water and supplementary snacks or treats high in indigestible fibre.

Guinea pigs

The guinea pig is well known for its requirement for dietary vitamin C. Typically a minimum supplementation of 200 mg/kg is recommended. Calcium content should be moderated as not doing so can lead to urinary tract problems. Guinea pigs (and chinchillas) also require access to good quality forage and treats to help avoid dental issues.

Hamsters and ferrets

Hamsters have a higher requirement for vitamin A than other small pets, while ferrets need to eat a diet consisting mainly of meat or materials derived from animals. Supplementation of taurine is recommended: 1,000 mg/kg in dry foods and 2,000 mg/kg in canned foods.

Lack of guidelines

There are no published nutritional requirements for pet small animal species, except rabbits. The NRC Nutritional Requirements of Laboratory Animals, 1995, is a useful source of information, but there are differences between laboratory animals and their domesticated pet equivalents.

Until published guidelines become available, nutritionists at Premier Nutrition will continue to rely upon their expertise to translate the nutritional requirements of laboratory species to small furry pets. ♦

**Based on a 12% moisture content of the feed, assuming 10MJ DE/kg*



Sara Rowley
Pet Nutritionist Premier Nutrition
Sara.rowley@Premiernutrition.co.uk
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How do we meet the growing demand for plant-based protein for pet food consumption in a sustainable way? Co-products are part of the answer.

Essential, but how?

Proteins are essential building blocks for the human and animal body, but the production of animal-based protein for both human and pet food consumption is under discussion today because of its environmental impact. Demand for plant-based protein is growing tremendously and will grow more as the global population increases. To make sure we do not exceed the planetary boundaries, it is of crucial importance to gain plant-based protein in a sustainable way.

Valuable co-products

Most companies use land to grow potatoes and peas to extract proteins directly from these cultivated crops.



A more responsible and sustainable way to increase protein availability is to use that part of the cultivated crop which is 'food loss'. Food loss is any food that is lost in the supply chain between the grower and the market, such as co-products of the food processing industry.

Many co-products are used as feed for livestock. But these co-products contain valuable proteins which can be extracted and have a significant lower carbon footprint than proteins from cultivated crops.

Duynie Ingredients, part of Duynie Group, produces sustainable plant-based ingredients for the pet food industry, all based on co-products. For more than

50 years, the company has specialised in creating maximum value from co-products, by translating them into new products, including proteins, suitable for various applications. In this way, the food processing industry is supported in maximal use of their raw materials, customers are provided with sustainable proteins and planetary boundaries are respected.

Supporting sustainability goals

Extracted protein from co-products is very suitable for use in pet food and, as a co-product, offers reduced environmental impact, because of the lower impact on land use and a lower carbon footprint. So using proteins from co-products helps pet food producers realise their sustainability goals.

Sources of protein

Brewers grain protein is extracted from spent grains from the brewery industry. Most spent brewers grain is used for livestock feed, but it contains plenty of valuable and reusable ingredients, including proteins. Brewers grain protein is being tested with some pet food producers and will be available on the market later in 2020.

Potatoes are used in high quantities for making starch. Once the starch has been extracted, co-products are traditionally used as animal feed. With innovative new ways to extract greater value from the potato co-product of starch manufacturing, potato protein from co-products has a huge potential as plant-based protein in pet food.

Another important protein for the future will be pea protein. Testing is currently underway to extract protein from co-products from the pea processing industry.

Responsible and sustainable

Duynie Group is doing extensive research and testing to generate new plant-based proteins for the pet food industry by extracting them from co-products. In this way, the company contributes to a more responsible and sustainable way to feed pets. ♦





Karina Marsilje
Managing Director
k.marsilje@duynie-ingredients.com
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GEPRO is a member of the PHW group, one of the largest European manufactures of poultry products. GEPRO is part of the fully integrated poultry business within this group of companies.

At the headquarter at Diepholz, Lower Saxony (Germany), GEPRO converts edible poultry by-products into valuable ingredients, proteins and fats, for animal feed worldwide. The entire production process is subject to strict veterinary controls at all time; Due to the high level of transparency it offers a standard of quality which is considered amongst the highest in the industry.



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Interzoo 2020

The ambitions and what is new?

PETS International met up with Katharina Engling, the new Chairwoman of the Interzoo Advisory Committee. Who is she and what are her ambitions?

Build on existing strengths

Katharina Engling has been working in the pet industry for 25 years. Today, she is Senior Executive at Bunny Tierernährung GmbH, with responsibility for marketing and R&D. "First of all, it is an honour to take over this position from Hans-Jochen Büngener, who was the chairperson for over 31 years," she says. "I want this handover to work well. It is also important to me to work on measures that will further advance Interzoo and highlight the strengths of the trade fair even more."

As Chairwoman of the Advisory Committee, Katharina says her main goal is to make sure Interzoo maintains its position as the world's leading international trade fair for pet supplies and "to contribute with our international pet industry knowledge to a further development of the Interzoo, together with WZF," the company which owns it. Among the innovations planned will be more tools to help visitors find their way around, despite the immense size of Interzoo.

New at Interzoo 2020

What is new at Interzoo 2020? The exhibitors Product Showcase, located at the Mitte entrance, will be divided in product groups for the first time. Also new will be a third entrance at the north-west end of the exhibition building. Due to its success, the retail tour, where international exhibitors can get a first-hand

perspective of the German pet trade, will take place again. A Sustainability Conference will also be part of the programme, and will present the results of the report and additional contents of the Interzoo Sustainability Initiative.

You can also expect to see Interzoo more often throughout the year. "Interzoo takes place every second year. To stay connected – also face to face – with our customers, we have now more and more Interzoo booths at selected trade fairs," Katharina points out. "In 2019, we were present at Zoomark in Bologna, Pet Fair Asia, SuperZoo, Pet South America and at the CIPS. In 2020, we will also be present at the Global Pet Expo."

Measures of success

Conducting visitor and exhibitor surveys is very important to identify potential areas for improvement. The last visitor survey (2018) shows that 96% were satisfied or very satisfied, 97% of the trade achieved good results by participating and 96% said that they would probably come back. ♦



Corine van Winden
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Pet Village ITALY

Italian style private label supply

Pet Village is a large pet products importer and distributor to large chains, independent stores and grocery, located in Northern Italy. It has 20 years of experience helping world leading brands access the Italian market.

Beyond borders

Since the early 2000s, Pet Village has gained a unique position in the Italian market and has become a point of reference for our furry friends' hygiene, food, games and accessories. It enjoys a positive growth trend in Italy and is now aiming to export its successful model throughout Europe.

Private label supply

Private label supply is a growing part of the business. The company has built an outstanding purchase path from China, developing a unique product portfolio

that blends Italian taste, profound market experience and purchasing skills.

Its product range extends from snacks to grooming, from training pads to disposable bags, and from toys to dog beds. It all adds up to a very interesting private label portfolio, offering the best quality/price ratio.

Pet hygiene brand

Inodorina® is the brand that handles the hygiene of pets and their environment, developed especially for the international market. It offers a complete range of solutions for all the needs of puppies, dogs

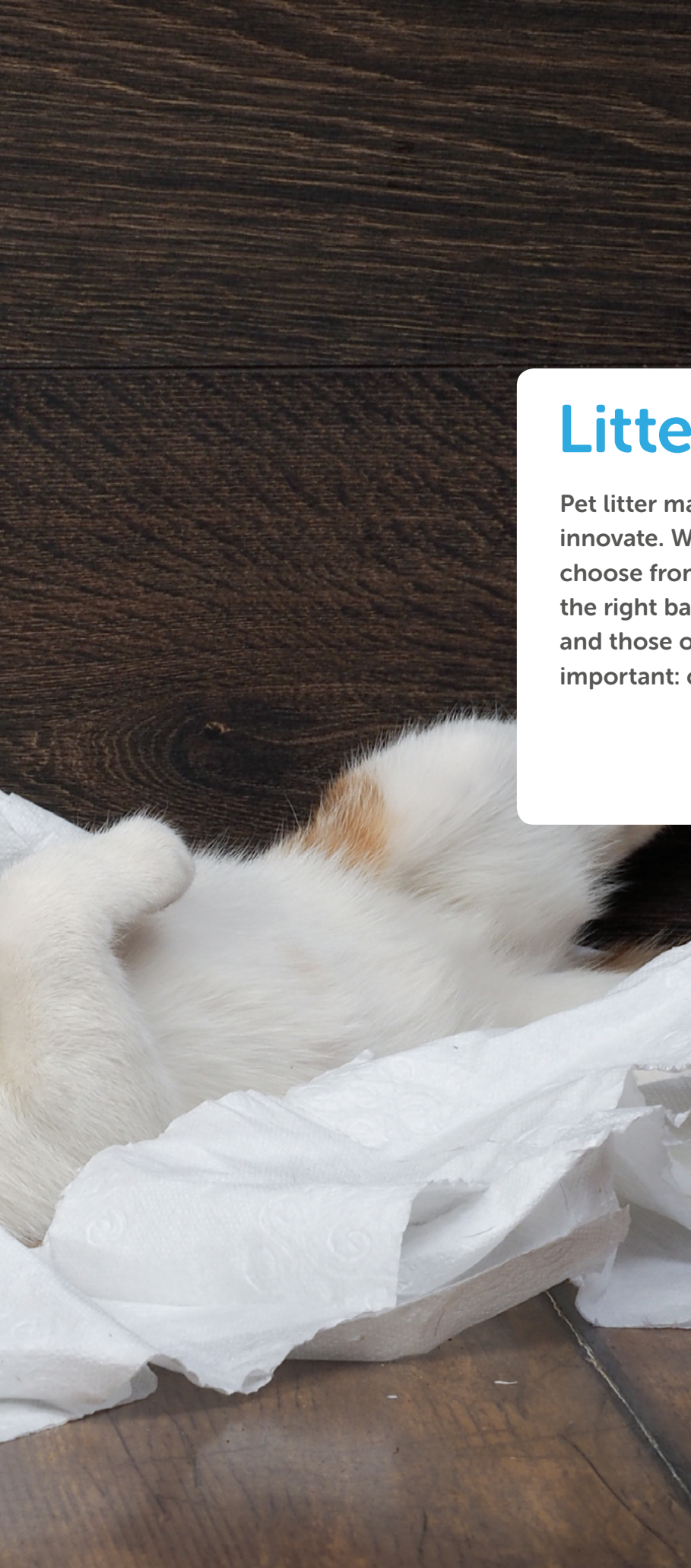
and cats for a wonderful coexistence within larger or smaller homes.

Expansion

After a successful expansion in Spain and Portugal, Greece, Croatia, Serbia, Poland, Bulgaria, Saudi Arabia, Malta, Romania and the Czech Republic, the company is now aiming towards Central Europe, China and America by seizing the emerging opportunities of a dynamic and fast-growing industry. ♦

- ♦ **Pet Village Srl**
info@petvillage.it
inodorina.it / petvillage.it





Litter

Pet litter manufacturers continue to innovate. With so many alternatives to choose from, how does a pet owner strike the right balance between their own needs and those of their pet? And what is more important: convenience or sustainability?

Can cat litter producers keep up with global sustainability demands?	31
Wood-based, corn kernel-based, hemp-based, crystal...	34
Innovation in the US litter market	38
Making sustainable choices in litter manufacture	40

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LONG LASTING



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EXTRA ODOUR CONTROL

Can cat litter producers keep up with global sustainability demands?

New regulations, sustainability trends and trade wars are reshaping the litter segment. To find out the latest developments, PETS International conducted global research among 17 cat litter producers and interviewed expert Simon Luesing for in-depth insights.

Developments in Asia

In China there is a government drive to improve sustainability. In our interview, Simon Luesing from Cat Litter Company reflected that: "New Chinese government regulations are forcing manufacturers to become more sustainable and, as a result, many factories have been closed down."

But demand must be met, and China is pressuring the industry to build new factories that meet the new requirements, like fully recycling water in the plant and restricting the use of oil and coal as sources of energy. These requirements have led to new certifications which have only been given to a limited number of factories in China that are allowed to export.

But not only China is developing rapidly in terms of sustainability. Our survey results show that 60% of the respondents see 'eco-friendliness' as their speciality. And some of them have introduced sustainability plans to lower their carbon footprint. Reduce, reuse and recycle are the three key terms. Reduction of waste, reuse of raw materials and energy, and the recyclability of packaging materials all contribute to more sustainably produced cat litter.

Meanwhile in Europe and North America...

In Europe and North America there are similar developments. Cat litter producers surveyed here indicated that they are not waiting for government legislation. They are already close to having carbon-neutral facilities, producing their own heat, and reusing raw materials; from landfills for example. Both politicians and consumers are simply demanding a lower carbon footprint.

Traditional litters

As Simon Luesing says: "In the past, silica had a significantly higher carbon footprint. However, new restrictions on the use of coal and oil to heat up ovens have forced manufacturers to become more sustainable and reduce their carbon footprint."

Cat litter made of bentonite is low cost and has a great absorbency. But the mining needed for this clay-based cat litter is somewhat controversial, as ecosystems often disappear to make way for the bentonite extraction. As bentonite is quite a heavy material, shipping costs also increase its carbon footprint. Bentonite is notorious for filling landfills, although there are some cat litter companies that focus on using landfill materials to produce new cat litter.

[▶ SEE NEXT PAGE](#)

ULTRA COMPACT
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IMPERIAL CARE

DESIGNED TO MAKE YOUR CAT
FEEL LIKE ROYALTY!



Sustainability is no longer a want, but a need to survive.

Finding sustainable alternatives

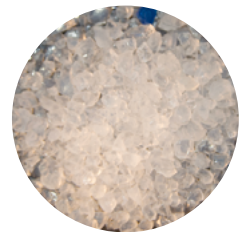
Most of the litter survey respondents are currently focussing on finding sustainable alternatives based on the following key points: sourcing, health and safety, biodegradability, odour control, weight and absorbency.

Reusing landfill

Creating a sustainable bio non-hazardous product for daily use is difficult. Wood, paper and corn have been popular sustainable sources in the past, but due to a worldwide shortage of wood and paper, and as corn is a food product for both humans and livestock, there is a growing shift towards alternatives. One of the respondents in the litter survey said they are giving landfill materials a second life as cat litter.



Bentonite



Silica irregular



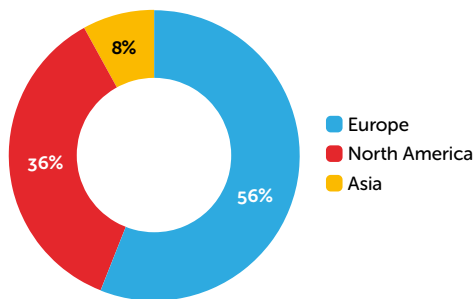
Silica with 4 pH-indicators



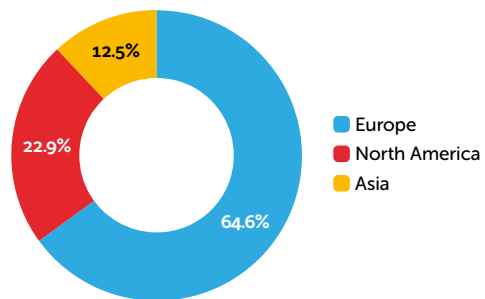
Tofu regular

Cat litter producers survey

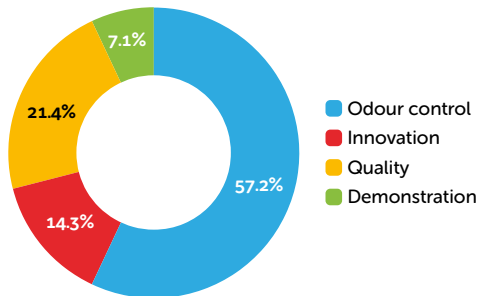
Where is your cat litter produced?



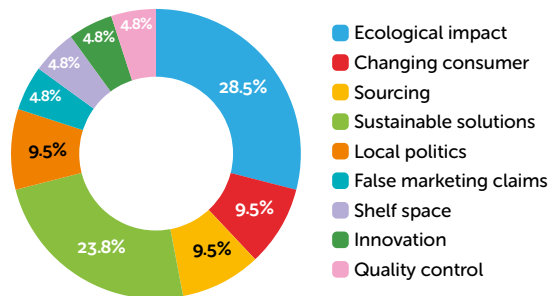
Where is your cat litter sold the most?



On what does your company focus to stay ahead of competition?



What are the biggest challenges for litter producers in the coming years?



Tofu cat litter

Cat litter made of tofu is a sustainable innovation that is already booming in Asia and now gaining momentum in Europe. Tofu cat litter is made of waste products from the production of tofu for human consumption. To create the litter, extra fine tofu powder is put under high pressure, resulting in very dense grains with a high absorption capability. Tofu cat litter producers are continuing to improve the product, and in recent years have adapted their drying methods, changing from the use of microwaves to ovens which are able to reduce the moisture level of the dried cat litter to 6%, reducing the risk of dangerous moulds and increasing shelf life.

What can we expect?

As governments and consumers focus more and more on sustainability, cat litter producers are being forced to innovate and find more sustainable alternatives. Sustainability is no longer a want, but a need to survive. Most cat litter producers are fully aware of this and have put sustainability at the core of their organisation – making litter an intriguing sector to keep an eye on at the forefront of pet sustainability. ♦



Benjamin de Niet
Marketing & Communication Executive
PETS International
benjamin@pets.nl

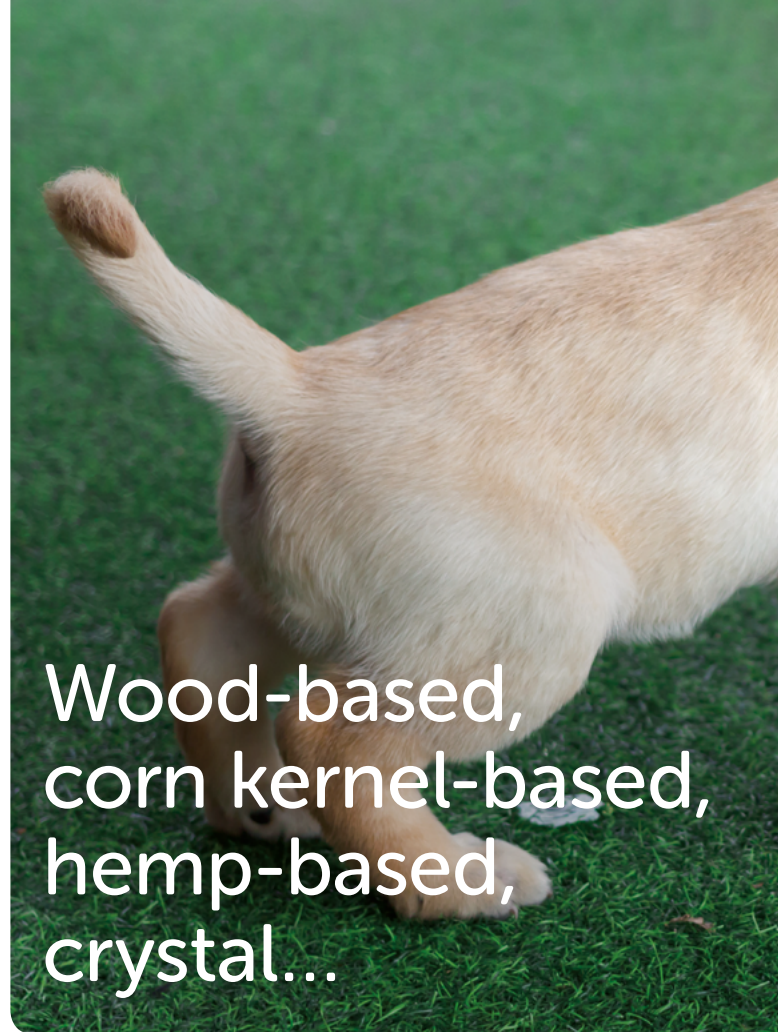
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Wood-based,
corn kernel-based,
hemp-based,
crystal...

Pet litter has come a long way since people were advised to use old newspaper. But not all products meet the requirements of pets and their owners.

Indoor toileting

The variety of species kept as pets, pet thefts and increased road traffic, plus increased urban living, mean that an indoor pet lifestyle is now more common. By 2014, 70% of cats were kept indoors in the US, for example, with current ownership figures totalling around 60 million cats. Other pets such as ferrets, rabbits, guinea pigs, even reptiles, can be trained to use toilet areas within the home.

Convenience vs health vs sustainability

Dogs can usually be taken outside, but that is not always easy with a puppy. Traditional single-use absorbent puppy pads often contain plastics. Indoor pet toilet grass, lined with artificial turf and absorbent pads, provide a simple to locate platform, that is easily taught and reusable.



Cats are fastidiously clean, and can be fussy about litter. Scented/deodourised litters may put cats off, even though they prevent smells. Conventional silica and wood pellets remain popular but are bulky and heavy. Lightweight litters can be kicked out of trays, causing mess. Newer 'crystal' litters absorb urine while dehydrating solid waste, and are supposedly five times more effective at reducing odours than clay versions. But are they good for the environment?

The risk of a pet consuming litter may also cause customers to seek safer, natural alternatives. Corn kernel-based litter helps to reduce dust. Hemp-based natural litter is suitable for cats, other small pets and birds, can be composted, is pH neutral and is good for allergies. Wood-based litter may come from managed forests.

Species-related needs

Some reptiles like to burrow, others to bask, but their litter must be suitable for hygienic care too. Products like pine shavings can be toxic for reptiles.

Certain species prefer sand, alfalfa meal or washable 'reptile carpet'. Ferrets tend to 'snorkel', poking their faces into litter. Rabbits are often given paper pellets, straw pelleted wheat or highly absorbent minerals such as bentonite.

Time-saving innovations

Pet waste bins allow quick disposal, with film bags sealing odours and bacteria inside. This reduces trips to the dustbin but means using non-biodegradable plastic.

Self-cleaning litter trays are excellent time-savers. 'Rolling' ones have curved covers that allow the user to tip them, sorting the soiled litter into a side tray and keeping some granules for reuse. Motorised versions employ rollers that dispose of the soiled surface of litter into a tray below. For dogs, 'conveyor belt' systems simply roll away waste, leaving a clean and ready-to-use surface again.

Human requirements or pet needs?

Human goals for pet litter are convenience, hygiene, odour control and easy disposal, but these may not meet the pet's natural comfort and welfare needs nor help the ecosystem. An environment should be suitable for a pet rather than focussing on human requirements, so education is needed regarding species-suitable products. ♦



Karen Wild

Dog trainer and pet behaviourist
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Innovation in the US litter market

Like all pet product categories, the litter market is not standing still. What is more, while conventional cat litter is the go-to choice for cat owners, the market is developing on many levels.

High brand loyalty

Packaged Facts estimates the US cat litter market at \$2.8 billion (€2.5 billion) in 2019. As in many other countries, the litter market in the US is a mature market, with only 2% annual growth.

There is a slight growth in cat ownership (87% of households as of 2019, up from 84% in 2009).

Innovation is critical in the cat litter segment. However, consumers do have high brand loyalty and are not happy when their accustomed brands are discontinued or reformulated.

Lightweight litter

In 2011, lightweight litter was introduced to the market. This was a success. 25% of cat owners are now using a lightweight product.

Types of cat litter purchased in the last 12 months, 2019 (percentage of US cat litter purchasers)

Multi-cat	34%
Longer-lasting odour control	30%
Extra-strength odour control	29%
Dust-free	28%
Unscented	25%
Lightweight	25%
Superior clumping formula	21%
Natural/eco-friendly	15%
Organic	11%
Health monitoring	10%

Note: Cat litter product positionings are not mutually exclusive.

Source: Packaged Facts, Pet Litter, Clean-Up, and Odor Control: U.S. Market Trends and Opportunities (December 2019).

Sustainability

With environmentally-friendly litters, sustainability is the top concern. Many tons of cat litter end up in landfills each year, making natural litters featuring earth-friendly, biodegradable materials – such as corn, wheat, soya bean, walnut or wood – seem like a solid choice from an environmental standpoint.

Packaged Facts survey data show that while 20% of cat litter purchasers have tried pine, wheat, corn or recycled paper litter at some point, 77% of them have decided to stop using these natural litters. The most prevalent reason is that the cat did not like or would not use the litter.

Natural litter manufacturers are realising that simply being environmentally friendly is not enough for cat owners, and are experimenting with different ingredients and textures to better appeal to cats and cat owners alike. Washable litter is another eco-friendly alternative now being offered.

Health

In addition, a newer segment of the litter category involves health monitoring formulations: products that allow owners to monitor their cat's health by examining changes in the litter box. Packaged Facts survey data show that many cat owners have already turned to functional cat foods as one way to handle health problems, with 43% using food targeting a health condition involving the urinary tract, gastrointestinal function, kidney and liver support or thyroid.

Cat litter marketers are responding to these same concerns by releasing products that can help cat owners identify a problem. A related trend is special needs litter designed for cats with allergies or injuries, and for aging pets that can no longer tolerate conventional litter.

Combining smart technologies

From a broader viewpoint, the cat litter category is being reshaped by the same convenience and tech-driven trends playing out across the pet products industry and consumer markets in general. Marketers and retailers are encouraging automatic subscription and smartphone app reordering of cat litter and related consumable supplies.

Subscriptions – also known as auto-replenishment or autoship programmes – are intended to save shoppers time and money, and help them avoid running out of products such as pet food and cat litter. They are also an increasingly indispensable tool for most major pet retailers.

A survey of US pet owners shows that 'products that will save time/make my life easier' is a top purchase motivator for automated and digital products. This includes automatic and 'smart' litter boxes as well as pet monitoring devices, feeders/waterers, toys, training products and pet doors. These often novel pet tech products work in tandem with smartphone or desktop apps that allow pet owners to interact with the products and their marketers and, increasingly, with the pets themselves. ♦

For more information about the report:
packagedfacts.com/pet-products-services-c124/



David Sprinkle
Research Director and Publisher
dsprinkle@marketresearch.com
marketresearch.com



Making sustainable choices in litter manufacture

The growing importance of making environmentally sound choices impacts the entire pet industry. What will eco-conscious consumers look for in cat litter as sustainability becomes even more critical?

Environmentally-minded pet parents

As the recent sustainability survey conducted by PETS International, Yummypets and the Pet Sustainability Council shows, sustainability is a significant factor in consumers' choices when it comes to their pets.

Over 80% of the pet parents surveyed stated that it is somewhere between 'important' and 'extremely important' that 'pet companies help address global environmental problems' (31% extremely important, 28% very important, 23% important, 15% somewhat important and 2% not at all important).

Grand View Research, Inc forecasts that the global cat litter products market will reach nearly \$5 billion (€4.5 billion) by 2025, partly because with an increased knowledge of cat welfare and behaviour comes the understanding that even indoor/outdoor cats need indoor litter trays for when they do not feel safe, secure or comfortable going outside.

Existing litter trends

While clumping litter currently dominates the market because of its convenience, the environmental impact is substantial. Generally made from sodium bentonite clay, the strip mining process needed to get the raw materials causes issues in terms of deforestation, soil erosion and polluted waterways, and that is before the process it goes through to become litter.

Despite it being a convenient option because of its clumping properties, the weight of clay litter is another negative point for many consumers. Disposing of such a heavy material in household bins can be inconvenient, in particular to those with multi-cat households and numerous litter trays to empty on a regular basis.

Another popular litter material is silica gel, made from sand. It is similar to clay-based litter in terms of environmental impact, though the mining process is not quite as damaging and it is lighter and more absorbent. And as less is needed, less goes to landfill.

Litter

More sustainable options

Neither clay nor silica are renewable resources, and different types of litter made from more sustainable and biodegradable sources are becoming increasingly popular. Wood-based litter, either shavings or pellets and often by-products of the lumber industry, is a lightweight and more sustainable alternative, along with other plant-based materials such as corn kernels, recycled paper, and pine chips.

The future of cat litter

It is difficult – to say the least – to get a completely sustainable litter. The risk of the *Toxoplasma gondii* parasite that can be present in cat faeces means that even biodegradable litter materials have to go to landfill, at least in part.

But there are definitely steps manufacturers can take in the right direction by thinking carefully about the materials used, in terms of packaging as well as the litter itself. Getting the balance right between convenience (odour control plus easy scooping and disposal) and sustainability is key, and as more manufacturers embrace sustainability, the market will become more level. ♦



Emily Fowler

Specialist pet content marketing writer and journalist
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Top Pets GERMANY Committed to ECOlogical litter

Combining German high-quality standards with ecological principles, start-up company Top Pets presents its innovative, sustainable cat litter range Eco Cat. It is based on 100% natural, renewable resources with a positive environmental balance in production and use, yet combining all characteristics a high-quality cat litter should have. Clumps are formed quickly and solidly, odours are neutralised, waste is reduced to a minimum for optimal efficiency.

The Eco Cat range includes three types of plant-based cat litter:
Ultimate Eco Cat, an extra-fine, bright litter, allows detecting unusual

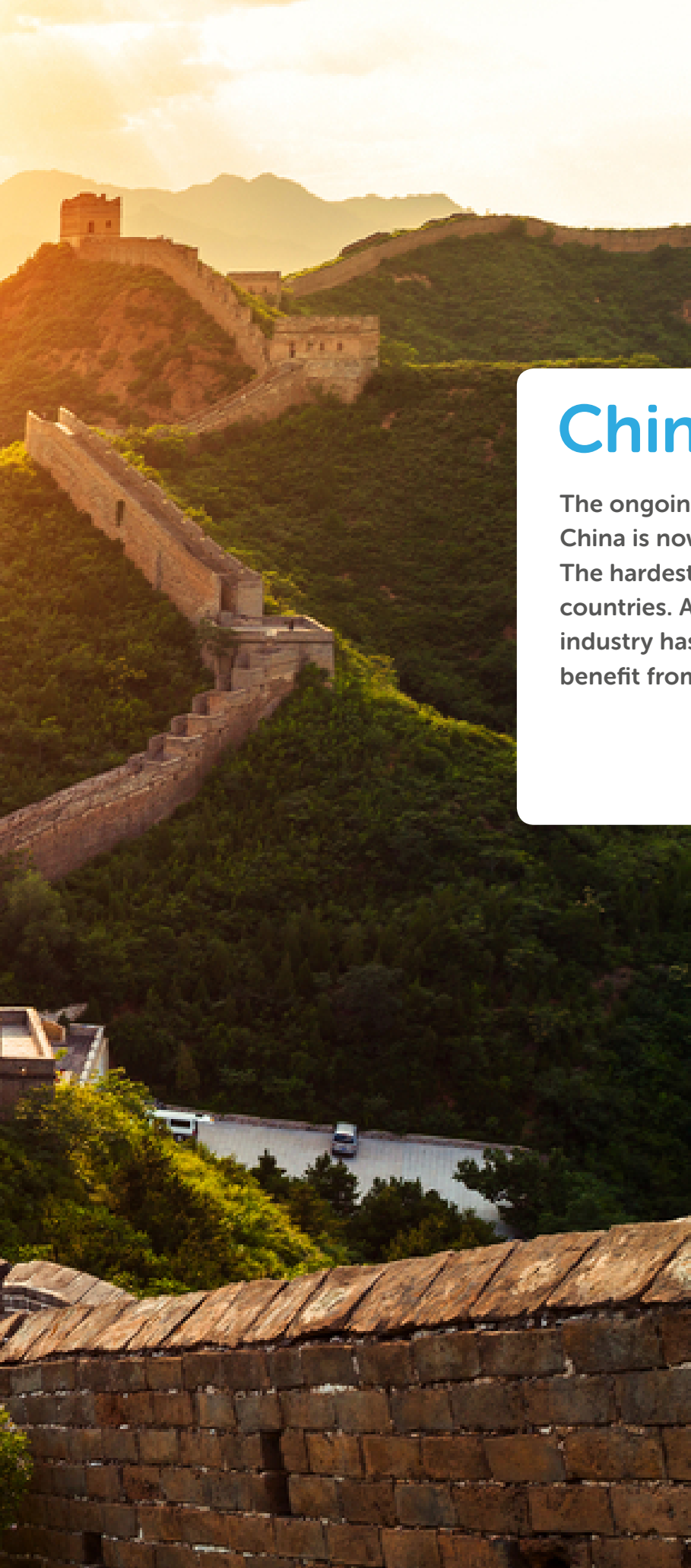
discolouration in the cat's urine. **Extreme Eco Cat**, a unique light-weight litter, especially easy to handle. **Classic Eco Cat** focusses on particularly sensitive cats. It is soft on paws and has a natural, neutral smell for particularly fine noses.

All products are compostable and dust-free. Also suitable for allergy sufferers and kittens.

Eco-partner wanted

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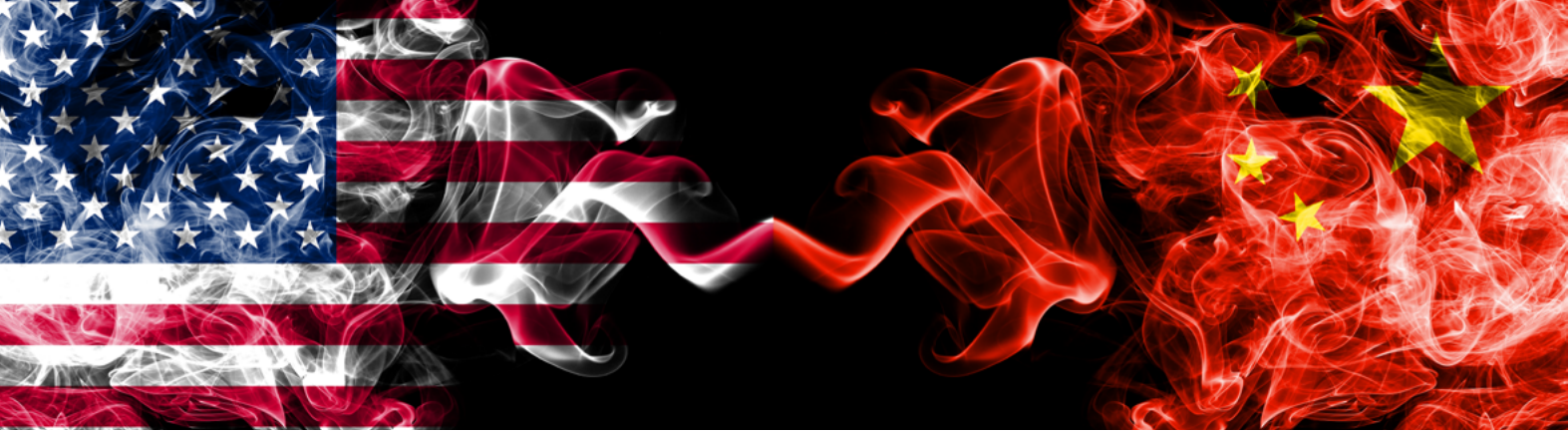




China

The ongoing trade war between the US and China is now also impacting the pet industry. The hardest hit are the players in these two countries. And although the European pet industry has been impacted, it also stands to benefit from this clash.

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How the US-China trade war is impacting the American pet industry

The trade war between the US and China is now impacting many industry sectors. In the US also, the downside of protectionist measures is being felt by the pet industry.

In a globalised world, everybody is impacted

Although international trade is essential to the development of all major economies, as cross-border commerce increases, so does its inherent complexity. The current trade tensions between the US and China illustrates this reality. These nations are pursuing policy actions designed to achieve overarching strategic intentions. However, a vast number of sectors, operators, and actors – with no ties to the primary objective – are being impacted as a result.

Most US pet industry participants were slow to react when the import tariffs were implemented. Their initial perception was that an agreement would be struck before things escalated. Many companies assumed they would be granted exemptions, only to see their applications denied. A year on, industry participants are facing the facts and taking actions that impact end consumers.

Sharing the costs of import tariffs

The most visible action has been the apportionment of costs. Companies have sought to lessen the impact of raised tariffs by passing on price increases to retailers and end customers, while seeking favourable deals with suppliers. Success has been mixed and is directly tied to a product's utility, brand value proposition, and a company's importance to outsourced manufacturers. Higher prices are expected to result in lower unit volume in non-essential categories.

Many companies have sought to move production to tax advantaged countries, or to move final assembly to more favourable locations. While this is a sensible strategy, achieving new country of origin designations can be difficult. Larger organisations with greater control over their supply chains are better situated to achieve success.

US pet companies hit the hardest

Companies that source in long-lead time categories or rely on their supply chain to finance working capital through extended payment terms, are experiencing pressure to become current on their trade balance. Already, Chinese insurance entities are enforcing duration limitations, reducing capital availability for US buyer entities.

While the implications to the US pet industry have centred on imports, the impact of lost export opportunities cannot be ignored. China represents the largest market opportunity for expansion in the pet supplies category. The current trade tensions make it difficult – to impossible – for US brands to access this growth. The longer the status quo endures, the harder it will be for US export franchises to catch-up. ♦



Bryan Jaffe

Managing director Food, Beverage & Agribusiness at Cascadia Capital LLC
bjaffe@cascadiacapital.com
cascadiacapital.com



How the US-China trade war is impacting the European pet industry

As the trade war between the two heavyweights continues, we take a look at the scoreboard. What opportunities – and threats – are out there for the European pet industry?

Battling giants – a few figures

In one corner of the trade war boxing ring is the US with 330 million people and a massive GDP of \$21.3 trillion (€19.2 trillion). In the other is the People's Republic of China: weighing in at 1.4 billion people and a GDP of \$14.2 trillion (€12.8 trillion).

These two heavyweights account for more than 20% of the global population and 1/3 of the global GDP. According to Forbes, 900 of the 2,000 world's largest publicly traded companies are based either in the US or in China. The annual trade deficit of the US with China amounts to \$400 billion (€360 billion).

Where does Europe fit in?

So how does this war of the titans impact the European pet industry? From an historical perspective, this industry has been resistant to crisis. It therefore seems unlikely that it will be adversely affected by the ongoing trade war. However, increased tariffs are likely to impact export and import activities of European pet companies.

Domestic, European or international

As far as pet food is concerned, Europe still consists of many domestic markets, rather than one united European market.

This means that in Europe, besides a couple of businesses who sell products worldwide, brands focus

on domestic markets. As a result, the volume of pet food exported to or imported from the US or China is limited.

Not so in the pet accessories industry, where China is a major supplier of electrical and plastic products. Many European companies sell Chinese-sourced products in their local market or export them to others, including the US. Tariff increases means higher prices and lower demand.

And the winner is...

However, European companies could benefit as they become attractive to US or Chinese firms, either as strategic partners or acquisition targets for companies who wish to offset lower demand. Ultimately, entrepreneurs interested in selling their businesses could be the unexpected 'winners' of this clash of the titans. ♦



Jonathan Buxton

Partner, Oaklins

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亚宠联合会
ASIA PET ALLIANCE

Joining forces for a better pet industry in Asia

Asia Pet Alliance is launched as resource hub for sustainable development of the pet industry across Asia and beyond.

Founded by industry professionals for the industry

In August, with the support of Pet Fair Asia, Asian pet industry leaders launched the Asia Pet Alliance (APA). Founded by pet industry professionals as a non-profit organisation, APA will serve as an international business accelerator, a resource hub for sustainable development of the pet industry across Asia and a force to ensure pet welfare.

APA has an international scope, with partners across Asia and already with a firm footing in North America. The alliance will develop a series of initiatives beyond Chinese borders. In first instance, focussing on South-East Asia and the US, APA will look to facilitate business, cooperation and investment between countries.

Promoting standardisation

APA acknowledges the need for standardisation at all levels in the Asian pet industry, including production, distribution and communication. APA aims to work in close collaboration with authorities and its own members to develop standardisation for upstream suppliers, manufacturers, distribution professionals, retailers and media. This will, for instance, involve consultations regarding labelling and other initiatives aimed at promoting a culture of trust.

Standardisation also calls for more transparency: APA and its members seek to promote such a culture across the industry.

This includes responsible manufacturing practices and verifiable product claims, and the publication of reliable market data.

The development and education of the retail market is also at the core of APA's activities. Regional dealers and independent on- and offline businesses, often run by young entrepreneurs with limited access to information, represent 100,000 individuals in the retail market. They are the future of the pet industry. APA will provide them with year-round access to local and international content and training.

Making the pet industry sustainable

APA intends to bring the highest standards of sustainability to the Asian pet industry, promoting both international programmes and local initiatives. Its members benefit from proven expertise and successful case studies. The alliance supports collaborative actions that benefit pets and their owners: such as a better rescue system, access to public transport and public parks and much more.

Last but not least, APA will develop labels for best-in-class exhibitions and play a governance role for tradeshows in Asia. Beyond Pet Fair Asia and its satellite events, a new b-to-b exhibition will take place in Bangkok in October 2020 to accelerate the development of pet markets in the ASEAN economic region. ♦

Asia Pet Alliance
info@asiapetalliance.org

What sells? The evolution of pet care in China

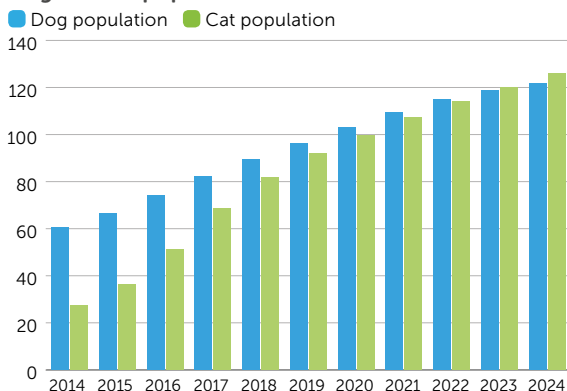
As hard-working young adults in China seek low-maintenance companionship, not only are cats ousting dogs as favourite pet, easy online purchasing is beating brick-and-mortar.

Move over dogs! Cats are cool

Recently, the cat population has surged in China and is predicted to surpass the dog population by 2023. The popularity of cats can be put down to a number of reasons. First, cats are relatively more independent than dogs and demand less emotional support. This is appealing to young, busy pet owners focussed on their

careers, and not on spending prime time with their pet. Second, cats do not need to be walked as dogs do. And third, stray cats abound, which makes finding a kitten easier than finding a puppy.

Dog and cat population in China (in millions)



Source: Euromonitor International

Benefitting from this growing popularity, sales of cat-related products – such as cat food, cat litter, cat toys – have grown rapidly in the past five years. And the future also is promising. For example, cat litter sales are forecast to maintain an annual increase of 22.3% through to 2024.

Online sales surge

Brick-and-mortar pet shops and the Internet are the two major channels for cat and dog food sales in China. Due to the fact that online brings benefits such as convenience, product variety and relatively low prices, stores continue to lose market share in favour of the Internet. Instead of having to carry home heavy parcels, pet owners can order multiple packs online, have them delivered within three days, while benefitting from multi-pack discounts.

Another benefit of selling online is that the product range is not restricted by the limited space of brick-and-mortar locations. Companies can easily showcase various product portfolios. What is more, brick-and-mortar retailers need to invest in their in-store shopping experience. The related higher costs are usually offset by higher prices, making online the cheaper choice.

The present-day, main demographic of Chinese pet owners are young people, who prefer online purchasing. This has made the Internet an incubator for emerging brands. For example, Crazydog pet food, launched in 2014, is an online-only brand that has grown rapidly to become a leading player in the Chinese market.

Premium products – only the best for pets

In the past few years, demand for premium products – both in terms of raw materials and functionality – has increased sharply. For instance, wet dog and cat food has grown its volume share by more than 4% in just five years and is predicted to continue to increase in the future also. Nowadays, wet food is considered fresher and more nutritious thanks to its moisture and real meat content.

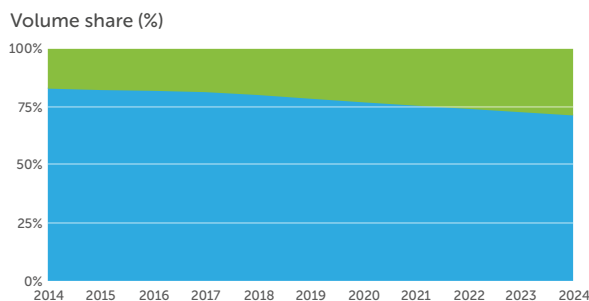
Freeze-dried pet food has also gained ground since 2016, but is still niche in China. Manufacturers claim that freeze-dried food has the same nutrients and flavour of meat before it is processed. An additional benefit is that it is highly palatable, compared to ordinary dried food containing grains or other plants. Since the price of freeze-dried food is high, some manufacturers lower the price by mixing freeze-dried with dry kibble. What we also see, is that functionality has become more important: there has been an influx of products with added ingredients, like probiotics to help improve pets' digestive health.

Premiumisation is also changing the market for non-food pet products. In cat litter, for example, there is a growing tendency to shift from low-end bentonite litter to tofu litter. The latter is more

expensive but claims to be safer. According to cat litter manufacturers, 70% of the time, cats eat cat litter by mistake. A safer, non-toxic cat litter is therefore, so they say, preferable to bentonite.

Wet and dry food market share in China

■ Dry dog and cat food ■ Wet dog and cat food



Source: Euromonitor International

A future with even more market segmentation

As the pet care market has matured, market segmentation has taken on a prime role. Pet food that targets different age groups or diseases – like prescription pet food – has become the norm. And specialist dietary supplements for bone and oral care have become mainstream. For the future, as owners become even more informed on pet care, market segmentation is expected to intensify. Competition will be fierce as manufacturers seek to meet the requirements of ever more demanding pet owners. ♦



Miranda Zhou
 Research Analyst
 miranda.zhou@euromonitor.com
 euromonitor.com



Opportunities and threats in the Chinese pet market

At the same time that the negative impacts of the US-China trade war are becoming manifest, China also offers huge potential for manufacturers of high-end European pet products.

Risks and opportunities in the global market

The trade war between China and the US is now seriously impacting the global economy. Manufacturing data over September show a sharp drop in production volume in China, the US and Europe. Economists believe this downward trend will continue through to the first quarter of 2020 at least.

The decline in manufacturing activities in these three regions is a direct result of the uncertainties caused by the protracted trade war between Beijing and Washington. In addition, signs are that the global economy as a whole is in decline. While China's manufacturing has been in the doldrums for five months in a row already, manufacturing figures for both Germany and the US dropped to their lowest levels in a decade.

As the export of products from China to the US continues to be under pressure, Chinese manufacturers are looking for new markets, one of which is Russia. At the same time, demand for 'Made in Europe' quality is huge. This makes China an attractive

market for authentic brands with a story. So, whereas Chinese manufacturers are looking for new export opportunities, China has some great opportunities for European manufacturers.

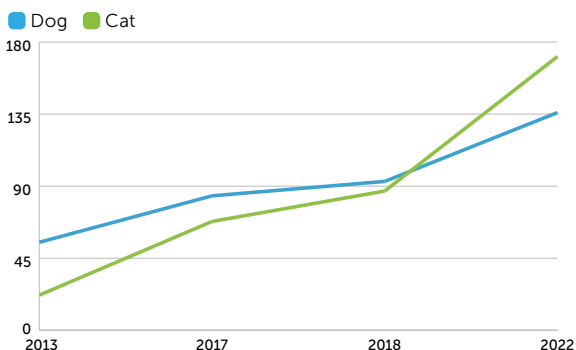
Pet market in China continues to grow

The number of young pet owners in China is growing fast: 73% are between 20 and 35 years old, with a slight preference for cats over dogs. Having a pet can help overcome feelings of loneliness of hard-working young adults. In mega-cities such as Shanghai, Beijing or Guangzhou, even many less-well off are taking to pets to provide them with cuddly, stress-free moments.

More money to spend on pets

Overall economic development in China, has meant that millions of Chinese have been able to join the middle class, benefitting from increased purchasing power. Estimates predict that in 15 years' time, more than a third of the population will belong to the middle class. With more to spend on their standard of living, other family members such as pets also stand to benefit.

Pet population growth in China (in millions)



Under influence of celebrities – including Angelababy, Liu Yifei and Fan Bingbing who regularly show off their pets on the social networks – the popularity of pets is also booming. Already, the number of pets across China is over 150 million!

Growing, wide and varied market

For investors, the Chinese pet market is one of the most promising. Not only is it growing, but it is wide and varied. Everything in this market has potential: from food, clothing, toys, connected accessories, medical treatments, vaccines through to grooming salons.

But the highest growth potential is for services and high-end products. Organic food, quality clothing, and pet parlours offering activities, such as spa or manicure services, are expected to be in high demand: sooner than later. ♦



Gerard de Niet
COO PETS International
gerard@pets.nl
globalpets.community

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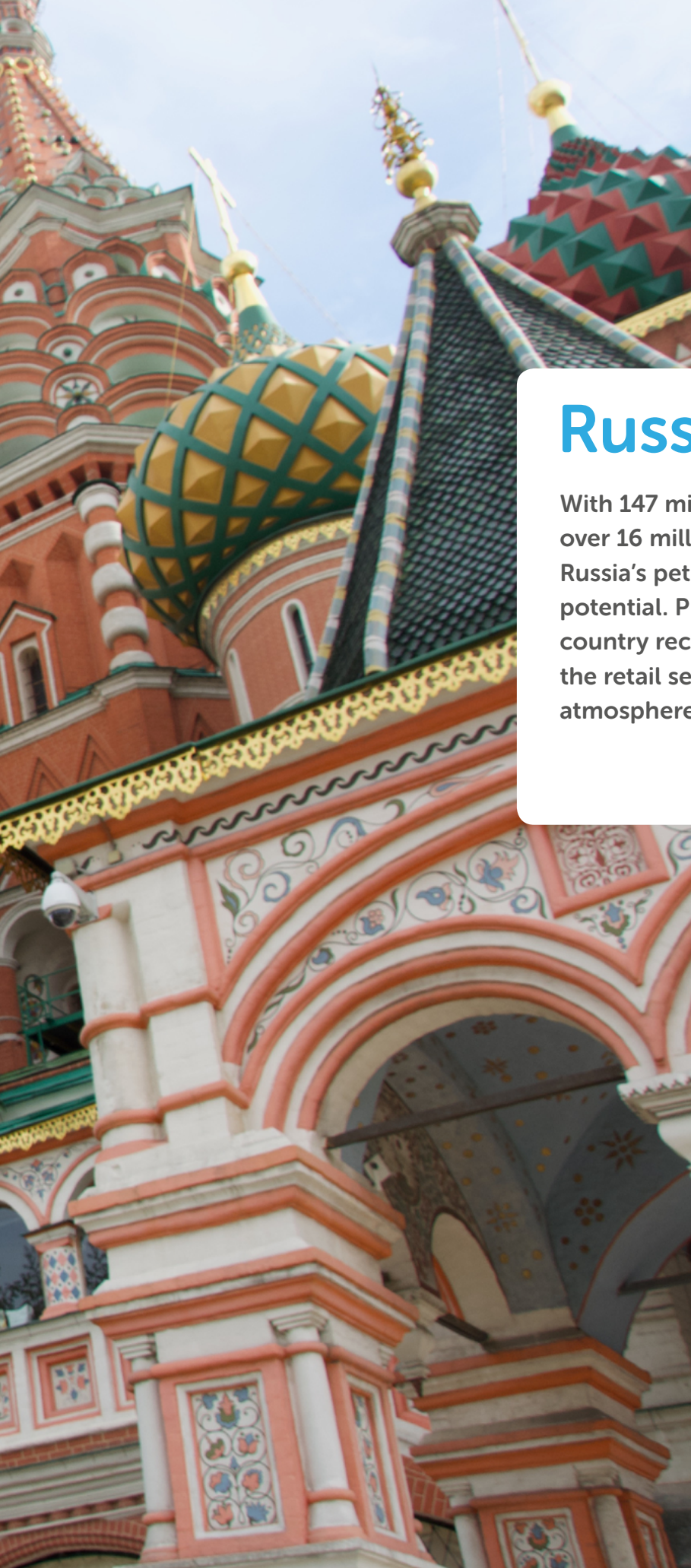
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Russia

With 147 million human inhabitants plus over 16 million dogs and 22 million cats, Russia's pet market has huge growth potential. PETS International visited the country recently to gain more insight into the retail sector and to enjoy the vibrant atmosphere of ParkZoo 2019.

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The Russian pet market: prepared for the future



The Russian pet food market today is worth €3 billion (\$3.3 billion) and is expected to grow to €10 billion (\$11 billion) in the coming years. This ambition will need a well-structured pet retail network with professionally run manufacturers and distributors throughout the country. PETS International visited the main players.

Pet retail sector

The Russian pet retail sector consists of over 12,000 pet shops and 30 pet retail chains. The biggest are Four Paws (256+ shops) and Bethowen (110 shops). There are the following types of outlets:

- a. Street market pavilions
- b. Veterinarians
- c. Independent stores
- d. Local chains in large cities
- e. National chains
- f. Supermarkets and hypermarkets
- g. Internet channels.

Pet retail outlets

PETS International visited several pet retail outlets.

a. Street market pavilions

Small shops, approximately 50 sqm, mostly located in permanent market hall locations. They have a limited assortment, but their strength is knowing their customers well. This allows them to tailor products and prices to the buyer.

b. Veterinarians

Veterinarians have a limited market share. But most local or national chains have veterinarian corners in their shops.

c. Independent stores

Spread over Russia, even in places difficult to get to, there are independent pet shops. Talking to big distributors such as Valta and the Triol Group, it became clear that their services and training have helped to professionalise these retailers.

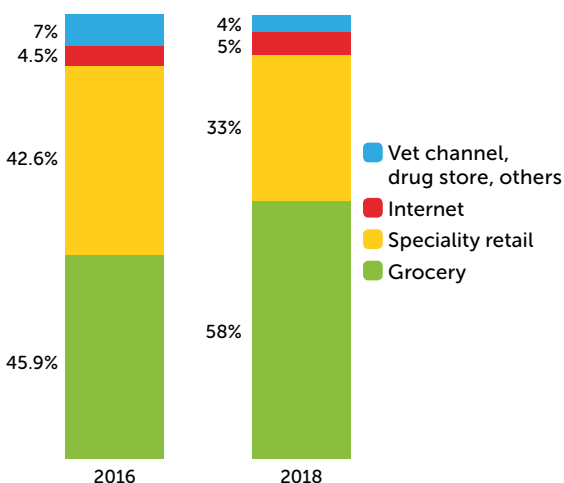
d. Local chains in large cities

Some chains have 20-30 stores in large regional cities. Examples are Gold Fish, Vetna and Mokryi Nos.

e. National chains

Companies like Bethowen and Four Paws, with 110 stores and 256 stores respectively in large urban centres, including Moscow, are working towards national distribution.

Distribution channels



© 2019 Euromonitor International



f. Supermarkets and hypermarkets

Found in cities in stand-alone locations or modern shopping malls. Some, such as Lenta, are opening pet speciality shop-in-shop formats, while others have a wide range of pet products.

g. Internet channels

The main online platforms are: beru.ru, wildberries.ru and ozon.ru, but there are other smaller platforms too. Wildberries also has 4,000 ‘fitting rooms’, where orders can be picked up and clothing tried on. Another 4,000 locations are planned.

Pet retail case studies

All chains are professional and well-prepared for the modern consumer. For in-depth insights, we spoke to some chain owners and CEOs. The case studies presented here are based on those discussions.

very professional, with excellent knowledge and understanding of local customer needs. Surprisingly, Markvet has an online channel too. And they import luxury brands such as Hunter.

Case study: Bethoven (retailer)

Bethoven has 110 stores: 100 in the Moscow area and 10+ stores in St. Petersburg and other urban centres. Rents and property availability limit the number of new stores. They have an online platform, and part of their retail concept is the integration of offline shops to give the younger generation fast and cheap deliveries. Bethoven has eighteen private label food and accessory brands. All shops have a veterinarian corner for OTC and prescription products. CRM is important to Bethoven, allowing a customer-centric approach. Bethoven is increasingly customer focussed, treating pet owners as pet parents. Their brand positioning is: ‘Happy family with a pet’ and is all about storytelling and emotions. This is also reflected in their store design.

▶ SEE NEXT PAGE



Case study: Markvet (retailer)

Markvet is a chain of seven pet shops that opened in 1992, when there were not many independent entrepreneurs. So most shops are located in unusual places, such as basements of apartment buildings. The shops are, however, very professionally run, with a wide range of products and a veterinarian corner. The staff, who they train themselves, are also





Case study: Four Paws (retailer)

Four Paws has 260+ shops in Moscow and 17 other regions. They are expanding eastwards towards other big cities. Their policy is to open shops close to supermarkets/hypermarkets to ensure store traffic. Four Paws has its own academy including e-learning; staff expertise is one of their USPs. Fast delivery is another. Orders placed via the omni-channel are delivered in 3-4 hours, or are available within twenty minutes at the closest shop. Ordering is also possible via their app. The m-commerce app sends push messages. Their m-commerce platform is to be further developed to provide a personalised customer experience. They are also testing self-checkouts. Many of these new applications are tested in their 750 sqm flagship pet centre in Moscow, including a veterinary clinic, grooming and educational space for pet parents.

part of the Plaček Group. Plaček is strong in the Eastern European market, and is now launching in Russia. Their ambition is to become a strong player here too, with a 'soft franchise' approach rather than their own shops. This will contribute to sales of their private labels. The company is fully aware of modern consumer needs and behaviour, and their marketing communication strategy offline and online is dedicated to this.

Case study: Triol Group (distributor)

Triol Group has been a manufacturer and distributor since 1993. It also works as a retailer under the name Pet City, with a 600 sqm flagship store in a Moscow suburb. The company is one of the leading distributors in the Russian pet market, with 18,000 SKU, a state-of-the-art 22,000 sqm warehouse and 500 employees. Triol has branches in Moscow and another eleven cities across Russia and Belarus. They are the positive and creative force in the market, with their own private label, but also selling leading brands and with a licence to sell Disney products. Above all, their products are priced competitively. This approach has been successful, leading to a year-by-year ongoing double-digit business increase, which outpaces market developments. To avoid the impact of currency fluctuations, their strategy is to develop and sell more of their own products.



Case study: Dino Zoo (retailer)

A 3,000 sqm flagship store opened in Riga in 2017, and there is now a 1,500 sqm flagship store in Moscow, in the prestigious new shopping centre 'Salaris', which will attract 900,000 shoppers per month. This is Dino Zoo,



Case study: Valta Pet Products (distributor)

With 23 years of experience and expertise, Valta’s mission is to influence the pet industry by being more than just a distributor and hoping to have a positive impact on pet healthcare. To achieve this, they have their own government-licensed academy. Valta has regional offices throughout Russia. Here, they persuade pet shop owners to become more state of the art, with a consumer approach, modern interior and better financial conditions. To work efficiently in this huge market, they run an app which gives individual terms and a 3D picture of the product. It makes ordering very effective. Their cash & carry shops all over the country make local deliveries easier and provide locations for meetings and training. Their strategy as a ‘holistic’ distributor is based on five pillars: logistics, marketing, finance, promoting the emotional side of pet ownership via events and YouTube, and delivering all this via consultancy.



Case study: Apicenna (manufacturer)

Apicenna is a leading veterinary pharmaceutical company with a 30-year history. Specialised in dedicated products for farm and, particularly, companion animals, it manufactures medicines and



From left to right: Corine van Winden, CEO PETS International, Alexander Smirnov, CEO Apicenna, Anastasia Pokryshkina, R&D Manager Apicenna, Gerard de Niet, COO PETS International

cosmetics as well as food additives for the production of canned food. The production facility is state of the art, with certified clean room conditions. Innovation is key for the company, and in 2020 Apicenna will be opening a new R&D facility. It is one of the top three players in veterinarian products in Russia, with a constant increase in turnover that outpaces market developments. The company is set to expand further towards both Eastern Europe and North Africa, and aims to become market leader in private label solutions. They believe in sharing their professional knowledge through education programmes for veterinarians and pet shops, as well as with consumers via social media and advertising.

Zooinform

Zooinform is a media company specialised in the pet industry and with 22 years’ experience and a wide network. It is an information hub for the Russian pet industry and has several publications for the b-to-b and b-to-c segments as well as an online presence. As the PETS International agent in Russia, Zooinform provides international companies with services for launching products, market overview, searching for reliable business partners, promotion, PR and communications. ♦



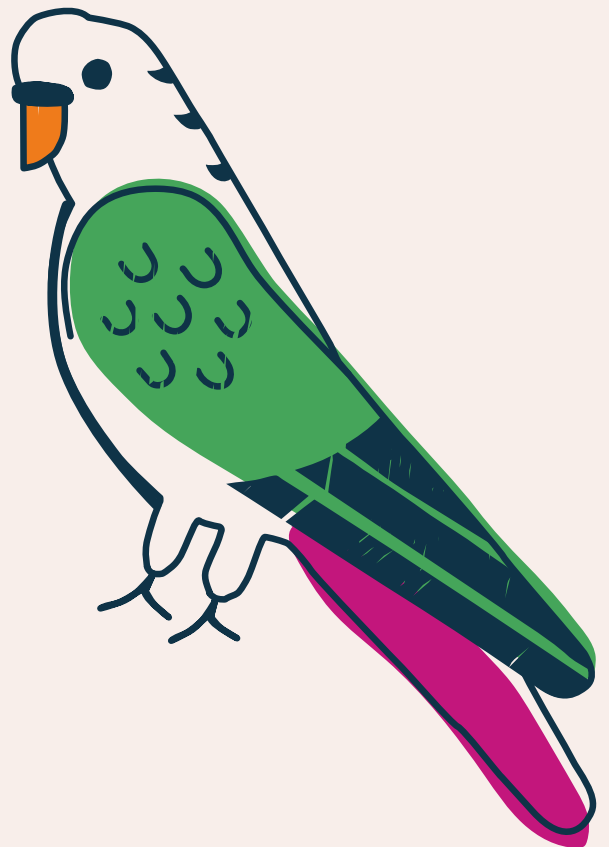
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Radius RUSSIA

Logistics specialist at ParkZoo

Radius makes pet products flow between the players in the market

The Radius stand at ParkZoo was designed like a business office and was always busy. The company offers comprehensive logistics support and customs clearance services to manufacturers, importers and distributors. For many years, it has been managing supply chain functions focussed on pet food and other pet products.

Radius is a licensed customs representative and is able to significantly streamline and speed up the customs clearance process, while minimising all possible risk. It provides customs clearance at all marine, land and air terminals in Russia.

Its transportation and logistics services include cargo consolidation at warehouses in St. Petersburg and the EU, and facilitating transportation of any cargo by any means of transport, including consolidated cargo delivery.

Radius works with major pet product importers, and is also open to cooperation with companies just starting to import or export pet products.

Radius Ltd.
info@radiusltd.ru
radiusltd.ru



TRIOL Group RUSSIA

Daring, vivid and focussed

After 27 years in the business, TRIOL Group likes to break stereotypes.

The presentation of AMMA and ContinentZoo at the TRIOL Group exhibition booth at ParkZoo 2019 benefitted from a special atmosphere and well-thought-out exhibits. Their stand was welcoming for like-minded peers, friends and partners. Pride for each product and a sincere response combined with an ongoing development process clearly motivated the entire team.

Visitors eagerly welcomed new TRIOL Group products, especially the Marvel Superheroes originals Spiderman, Iron Man, Captain America and the Hulk. But also enlarged Cat Step cat litter items,

Darsi standard cat and dog foods, and Molina original Best Friends treats for cats and dogs.

The fair and exhibition brought an endless stream of satisfied visitors. The secret of TRIOL Group's success is the same for any company wishing to improve and progress: a mix of experience, an impeccable reputation, bright ideas, correct principles and focussed teams.

TRIOL Group
info@amma.su
amma.su/en



ParkZoo 2019: market in Russia ready for next growth jump

Being a pet parent is part of Russian culture, and estimates show potential for the market here to grow to €10 billion (\$11 billion). The Russian pet market may be the place where you could find your new business partners.

ParkZoo breathes potential

In recent years, ParkZoo has developed into the main pet show in the Russian market. This is clearly apparent from the trends in visitor and exhibitor numbers (see table below), including those from abroad.

But besides the numbers, visiting the fair gives an excellent view of a lively market with growth potential. In the booths and along the aisles, it is full of Russian and international visitors talking, looking and trading. The fair is supported by several online tools, where relevant information can be found. The international pavilion fills a whole hall, but Russian

exhibitors also present themselves very professionally. Having the international exhibitors grouped together at a central location is very convenient for visitors. There are also several talks, some of them tailored to the international audience.

The atmosphere is that of a market ready to embark on its next phase of development.

International companies are seriously considering Russia as a market to export to. On the other hand, there are several top Russian manufacturers preparing to export their products to the EU, Africa and Asia.

ParkZoo	2019	2018	2017	2016	2015
Number of exhibitors	272	250	230	208	200
International exhibitors	14.3%	10%	12%	5.8%	9.4%
Number of visitors	12,000	11,500	11,000	10,500	10,000
International visitors	5.3%	6%	5%	4%	2%



Large populations of dogs and cats

Russia has 147 million inhabitants, with 74% of them living in big cities. There are sixteen cities that have over a million inhabitants. The Russian population has eleven million more women than men, making the main target group very female-oriented. The main urban areas are, of course, Moscow and St. Petersburg.

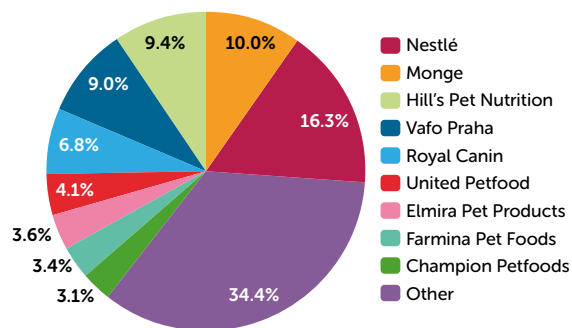
Human/pet populations (in millions)

	All Russia	Moscow	St. Petersburg
Humans	147	13	5.5
Dogs	16.4	2.7	1.1
Cats	22.5	3.9	2.5

The pet food market

Besides national Russian brands, the market is characterised by the considerable market shares of international brands.

Pet food import structure (manufacturers)



© 2019 Techart Consulting Group

The Russian pet food market is worth nearly €3 billion (\$3.3 billion). 67% of the market value is cat food and 20% dog food (Euromonitor data).

Market developments

The Russian market shows 6% growth, not adjusted for currency inflation. The embargo on Russia has had a negative but also a positive impact. The positive effect is growing entrepreneurship which has also resulted in new companies in the pet industry. Examples of this are PetKorm and Miratorg.

According to Euromonitor, the Pet Food Index is low, with <30% for cats and <20% for dogs. Russians are, by tradition, pet parents and their pets have always been very much part of the family. They sometimes spend more money on their pets than on themselves. In hard economic times they buy cheaper pet products, but return to better quality as soon as the situation changes. The economy products category is therefore an important one. Also important to know is that Russia does not allow GMO products.

The non-food segment is relatively small in Russia. Worldwide, non-food is approximately 28% of total market value. In Russia it is just 10%. However, in winter there is a big market for clothes and shoes.

The Russian pet industry estimates that the market will be able to grow to €10 billion (\$11 billion). The pet retail sector is ready for this – see also the article about Russian pet retail, on page 54. ♦



Gerard de Niet
COO Pets International
gerard@pets.nl
globalpets.community



New era for Bethowen

Bethowen is one of the biggest pet retail chains in Russia. PETS International arranged for its Russian agent Yulia Dolzhenkova to interview George Chkareuli, the new CEO, about his vision and ambitions for the company.

No newcomer

George Chkareuli is not a newcomer to Bethowen, having served as Deputy General Director for Finance since 2010. In his new position as CEO, he will be leading the group during its next stage of development.

During his MBA studies in the US, George developed a strong belief in private entrepreneurship and private capital. That was the starting point for becoming senior partner at the private equity fund Prometheus Capital Partners, which was founded by Levan Vasadze, designated speaker at the GlobalPETS Forum 2020.

Bethowen today

Bethowen currently has 110 stores: about 100 in the Moscow area and 10+ stores in St. Petersburg and

other urban centres. All shops have OTC veterinarian drugstores. Bethowen successfully sells eighteen private label brands.

How it all started

In 2010, Bethowen and Zooboom retail, with 42 stores, merged to become Bethowen Group. Prometheus Capital Partners became the majority shareholder of the new enterprise. Now, ten years later, Bethowen is a sustainable speciality retailer with a strong brand equity that leads the Russian market.

New challenges

The company is currently facing a number of new challenges, such as the need to improve effectiveness and increase the speed of development and innovation.

"Our leading position has been confirmed by the Nielsen Brand Equity Index. For 8 years they have worked with us, and today our 'Retail Brand Equity Index' is >3. Only 5% of world retailers have such a significant indicator," says George.

The years to come

Vital for further success is to understand today's pet owner better. The younger generation wants faster and cheaper delivery by offline and online channels. This requires a customer-centric approach based on CRM, as well as a change in company culture and working methods. "We have to treat pet owners as pet parents. It means that their shopping experience in all our channels should be based on the positive emotions of care and family happiness. All of this needs to be reflected much more in store design and marketing communication, integrating offline and online," George explains. "It also means that we have to extend our role as a traditional retailer into an integrated service provider for pet parents. Our shareholders formulate our mission as: 'Happy family'. We are convinced that a happy family is one with a pet – that is one of our marketing messages."

"To make all this work, my first key task is to motivate Bethoven's associates – over 1,300 people – to share their ideas, fine-tune and implement these concepts, and to make sure they enjoy doing their jobs. We are also developing partnerships with other industry players and are inviting them to exchange ideas with us. I am not only talking about pet product suppliers, but also about veterinary clinics and other service providers. We believe it should be a long term, fruitful cooperation."

Smart and selective growth

"This strategic move will also help to grow the company further. However, it has to be smart and selective growth. Growth based on where today's demand is. Part



George Chkareuli

of this growth will, of course, come from the internet. A state-of-the-art omni-channel approach is essential. Our online sales grow 50% every year."

George believes that the grocery sector is not really a direct competitor. For a lot of pet owners, grocery stores are where they get to know branded pet food and other pet care products. During this process, the consumer further learns about the added value of pet speciality. Of course, a lot of other external elements are part of the game, such as the purchasing power of consumers. But the innovative strength of pet retail and its ability to act as an integrated service provider, based on omni-channel with a customer-centric approach, is the key success factor that Bethoven is focussing on. ◆

With thanks to:



Yulia Dolzhenkova
Zooinform, Russia, PETS International agent
us@zooinform.ru
zooinform.ru



Lex&Max THE NETHERLANDS
Box bed Royal Velvet

Lex&Max have once again expanded their range with trendy box beds. This time the box beds are made of Royal Velvet, the most popular interior fabric of the moment.

The box beds with detachable covers are available in 4 colours and 3 sizes: 75x50 – 90x65 –120x80cm. Each size can be supplied as a completely filled box bed or as a spare cover in a luxury box.

Lex&Max B.V.
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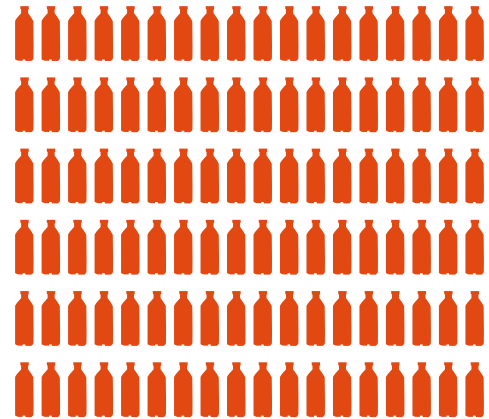
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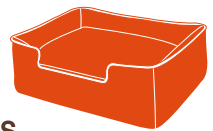
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San Francisco, CA



Lex&Max THE NETHERLANDS
New: limited Gold edition

This is a real eye catcher! Following the furniture fashion, Lex&Max brings this controversial gold-coloured divan. With a size of 75x50x49cm this crown jewel is suitable for all small dog breeds. A big range of cushions called 'Box bed 75x50cm' are available for this divan. Divan and box bed can be ordered directly in the b-to-b webshop. Lex&Max, always distinctive!

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Pet Village Srl
 info@petvillage.it
 petvillage.it



Duynie Ingredients THE NETHERLANDS
Sustainable ingredients

Duynie Ingredients produces sustainable plant-based ingredients for the pet food, high quality feed and aqua industry. Only plant-based co-products are used, directly sourced from the food industry. In the new sustainable factory, the company produces climate-neutral by using residual heat. It produces potato, sugar beet, chicory, vegetables and fruit ingredients. All ingredients are GMP+ pet food certified, natural, transparent and are year-round available.

Duynie Ingredients BV
 info@duynie-ingredients.com
 duynie-ingredients.com



Calendar of events



GlobalPETS Forum

22 to 24 January 2020

Grand Hyatt Athens, Athens, Greece

globalpets.community



PATS Sandown 2020

9 to 10 February 2020

Sandown Park Racecourse

Esher, United Kingdom

patshow.co.uk



Anido

16 to 17 February 2020

Kortrijk Xpo

Kortrijk, Belgium

anido.be/en/home



Global Pet Expo

26 to 28 February 2020

Orange County Convention Center

Orlando, Florida, United States

globalpetexpo.org



PETS & MONEY

27 to 28 February 2020

London, United Kingdom

petsandmoneysummit.eu.com



Iberzoo + Propet

5 to 7 March 2020

IFEMA

Madrid, Spain

ifema.es/en/iberzoo-propet



China International Pet Industry Fair

6 to 8 March 2020

Guangzhou International Sourcing Center

Guangzhou, China

chinapetfair.com/index.php?lang=en



China Pet Expo

13 to 16 March 2020

China International Exhibition Centre

Beijing, China

cpse-expo.com/en

Contact us

Austria, Belgium, Finland, Germany, Netherlands, Portugal, Scandinavia, Spain, Switzerland

Miguel Mendes de León,
Agri Cross Media
+31-6-81543366
miguel@agricrossmedia.com

Brazil, Chile, Colombia, Peru

Natalia Coelho de Miranda,
Top.Co. Comunicação
+55-1932318236
nataliamiranda47@gmail.com

China, Hongkong, Macao, Taiwan

Meadow Zhang
+86-10-88102269,
zhanghj@chgje.com

France, Monaco

Alain Girardet, g i r e x agencies
+33-6-0828-1482
girardet.alain@wanadoo.fr

Greece, Bulgaria, Cyprus

Vassilis Goulielmos,
Welldone Ltd.
+30-211 4021758
info@welldone.com.gr

Italy, Malta, San Marino

Rita Buffagni & Lavinia Fressura,
Mediatic
+39-0522-383620
media@mediatic.it

Japan

Anthony Yamashita,
PETS M&C
+81-736-36-5526
anthony@pets-mnc.com

Poland

Mateusz Karatysz,
Media Experts sp. z o.o.
+48-61-820-41-75
mateusz.karatysz@rynekzoologiczny.pl

Russia

Yulia Dolzhenkova,
Zooinform
+7-4903-6132812
+357-9648-5560
us@zooinform.ru

South Korea

Hayen Jung,
AT Bio Ltd.
+82-31-5341663
atpetfood@hotmail.com

Turkey

Cengiz Gümüş
+90-212-321-10-02
cengiz@ulusalfair.com

United Kingdom, Ireland

Andrew O'Kelly,
KOA Media Limited
+44-1252-843431
andrew.okelly@koamedia.co.uk

Ukraine

Sergii Kondrat,
Vet Zoo Profy
+38-044-592-2167
sergy@vetzoo.in.ua

United States, Canada

Glenn Karaban,
Karaban Media Services, Inc.
+1-212-840-0660
gkaraban@karabanmedia.com

Rest of the world

PETS International &
GlobalPETS Community head office
+31-33-422-58-33
info@pets.nl

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Upcoming issue | Advertising deadline: 7 January 2020 | Publication date: 31 January 2020

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Colophon

InterMedium Publishers

Prinses Marielaan 12, 3818 HM Amersfoort, The Netherlands
+31-33-4225833, info@pets.nl

CEO: Corine van Winden, corine@pets.nl

COO: Gerard de Niet, gerard@pets.nl

Communication & Event Manager: Desirée van der Hoeven, desiree@pets.nl

Marketing & Communication Executive: Derk van Winden

Designer: Jack Waas

Senior editor: Heiny van den Ham

Editors: Lynn Radford, Marita van Oldenborgh,

Martine Croll, Mandy Wolters-Savage

Printing: Drukkerij Ten Brink, The Netherlands

Technical details

PETS International is perfect bound.

Page/trim size: 208 x 273 mm, live area: 186 x 251 mm.

ISSN 1388-4638, frequency: 7 x per year, since 1988.

Advertisement sizes

Spread: 416 x 273 mm*

Full page: 208 x 273 mm*

Half page vertical:

101 x 273 mm*, 90 x 218 mm

Half page horizontal:

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Third page vertical: 68 x 273 mm*

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