



PETS International

THE GO-TO PUBLICATION FOR PET INDUSTRY PROFESSIONALS SINCE 1988

FEB 2024

US & CANADA

Country report &
a retailer interview

TREND REPORTS

Supplements, cat
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SUSTAINABILITY

Carbon footprint of soy,
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**South Korea
in the vanguard
of pet tech**



From DNA testing and personality tests to trainer-matching services, the East Asian nation is using its tech savvy in the cause of making pets healthier and happier.

**Vegan and flexitarian
trends in pet food**

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**Adding quality
of life to dietary
requirements**

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Corporate players traditionally known for their products for human consumption are increasingly seeing the attractions of entering the buoyant pet food market.



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Turning challenges into opportunities

Whereas this time last year we were discussing the impact of the price hikes in raw materials, now the hot topic is how pet parents are dealing with the inflationary environment. Which products will continue to be an essential part of their baskets in 2024? And which categories and items will be most impacted?

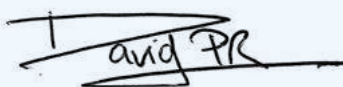
Realistically, we can expect the trend of 'trading down' to continue for some time. Because of this, some industry players have already taken steps to minimize the short- and medium-term impact of inflation, but also – and equally importantly – to ensure they don't lose any customers along the way.

However, we shouldn't forget that there are other issues on the agenda. Sustainability is a good example. In 2022, just before the start of the war in Ukraine, we surveyed pet owners in several countries about their willingness to pay extra for a carbon-neutral pet product. Over 45% of respondents said they would "probably" or "definitely" pay more, while 35.4% were unsure.

Despite the current situation, sustainability will continue to demand attention. A recent flash survey in our newsletter revealed that 43% of pet companies are currently investing in reducing their carbon footprint, and a further 27.5% are planning to do so. Less than 30% of respondents admitted that they are still not reducing carbon emissions.

It helps to view challenges like these as opportunities. If nothing else, they are a good test of the resilience of our industry – and if past performance is anything to go by, pet companies have the necessary strength and innovative capabilities to pull through.

Ahead of another busy year, we have also taken the opportunity to introduce some changes to the magazine and improve the reading experience. Thank you for choosing us.



David Palacios Rubio
Head of Editorial



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Australian watchdog approves Woolworths' acquisition of Petstock

Following its investigations, the Australian Competition and Consumer Commission (ACCC) has concluded that Woolworths' acquisition of a 55% stake in Petspiration, owner of the retail chain Petstock, is "unlikely" to lessen market competition. The ACCC has therefore approved the retailer to divest 41 specialty pet retail stores, 25 co-located veterinary hospitals, 4 brands and 2 online retail stores to Woolworths' portfolio.

The watchdog determined that it is unlikely that Woolworths will leverage its retail position in the pet specialty space in an anti-competitive way, because "specialty pet retail and grocery are distinct channels in the pet industry". Due to the differences in product and service offerings to supermarkets and discount department stores, the ACCC sees no reason for concern among suppliers of both Woolworths and Petstock.

Northern Europe's biggest BSFL plant to start production this month

Danish start-up Enorm Biofactory, which recently set up the largest insect factory in northern Europe, is expected to deliver its first products this April. Its target is to produce 10,000 tons of black soldier fly larvae (BSFL) insect meal annually, equivalent to 100 tons daily. The aim is for the 22,000 sqm facility in East Jutland to be fully operational by the second half of this year.

Another insect protein firm, Divaks, is partnering with the Swiss-based Bühler Group to establish a commercial-scale yellow mealworm plant in Lithuania by 2025. The intention is for this facility to produce 15,000 tons of mealworm for the premium pet food market annually. Divaks' Series A funding round was targeted to close at €67 million (\$73.3M).





Chewy sets up its first veterinary practice

The American pet retailer has launched Chewy Vet Care, its first pet health practice, in Florida. This further extends its portfolio that includes the pet pharmacy and tele-triage service Connect with a Vet and the CarePlus insurance offering.

Chewy targets opening between 4 and 8 new practices by the end of this year. The veterinary practice is expected to be supplemented with Chewy's custom-built open platform, which can be applied both to Chewy Vet Care and third-party partner practices.

Petco and Ahlstrom recognized for sustainability efforts

Petco has become the only pet retailer to be listed in the top 10 of America's Most Responsible Companies, as recognized by market research firm Statista and the magazine Newsweek. The specialty retailer finished with a 74.56 score for its corporate social responsibility (CSR) and 80.77 for its environmental concerns.

Meanwhile Ahlstrom, a Helsinki-based fiber product manufacturer, has received the Innovation in Sustainability Award from The American Forest & Paper Association (AF&PA) for its plastic-free and fiber-based PawPrint® pet food packaging. The award recognizes Ahlstrom's innovative and environmentally friendly approach to providing recyclable and compostable packaging.



Veolia wins approval to export insect meal to EU

Veolia Bioconversion, a Malaysian insect company, has gained the European Commission's TRACES certification to allow the import of its insect-based products into the European Union. This follows on from Malaysia's Ministry of Agriculture approving the company's Entomeal (insect meal) and Entolipid (insect oil) products for applications in pet food and aquaculture. According to Veolia, the company strives to deliver a consistent and high-quality supply to meet the increasing global market demand for sustainable alternative sources of protein.

Pushing insect-based products globally "is part of the Malaysian government's efforts to find ways to alleviate import dependency and increase food security in the country", says Fabrice Latchoumanin, General Manager at Veolia Bioconversion Malaysia.





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No pet food tariffs under EU-NZ free trade agreement

As per the new free trade agreement (FTA) between the European Union and New Zealand, all key products, including pet food, will be no longer subject to tariffs. This is expected to save the industry €140 million (\$157.4M) in duties per year.

The FTA also includes rules for animal-origin products that are unfit for human consumption but may be used in pet food. Such products are beef – of which the EU will allow a tariff rate quota of 10,000 tons to be imported with a reduced duty of 7.5% – and sheep meat – of which 38,000 tons can be imported duty-free. The volume of both categories is expected to be gradually phased in over the next 7 years.

Pet MD scoops up Riley's Organics for \$7.5 million

Pet MD, a subsidiary of Swedencare, has entered the fast-growing organic treat market by acquiring treat and pet care company Riley's Organics for \$7.5 million (€6.86M). According to Pet MD, Riley's Organics may benefit from a post-acquisition international expansion boost through other Swedencare subsidiaries.

The company reported sales worth \$2 million (€1.8M) via Pet MD's Amazon channel in 2023 when the deal was being tested. Riley's Organics itself wrapped up 2023 with an estimated \$3.2 million (€2.9M) in net revenue.

Pet MD
A Member of the Swedencare Family

Riley's



South Korea to boost pet insurance

The South Korean government's top financial regulator, the Financial Services Commission (FSC), has stated that it hopes to ensure the stable operation of pet insurance services by implementing a "reasonable" veterinary fee rates system. The authorities are also expected to work on boosting cooperation between the veterinary and insurance industries.

The need for measures came to light when it emerged that 83% of pet owners see high vet bills as an issue, and only 0.8% of South Korea's 7.2 million pet owners have pet insurance. Officials have also identified the need to create a one-stop service enabling pet owners to sign up for pet insurance, file for insurance claims, manage the health conditions of their pets and register their pets.

Indian pet healthcare sector attracts investor attention

Powered by the ambition to become a 'unicorn business', local pet food player Drools is pumping \$30 million (€27.5M) into 'redefining' Indian pet healthcare. The first initiative, Drools Vet Thrive, is a vet clinic upgrade scheme to furnish veterinary clinics with state-of-the-art equipment like advanced diagnostic instruments and surgical gear for superior pet care. Drools Veterinary Health is a diversification into the small-animal pharmaceutical arena intended to strategically strengthen the company's foothold in the pet healthcare ecosystem.

Meanwhile, Royal Canin India has collaborated with European vet tech company GekkoVet to launch an online diagnostic and treatment tool. This initiative is part of a broader aim to provide veterinarians in emerging markets across the globe with digital solutions that speed up their decision-making.



Minas Gerais stops pet food tax hike

Thanks to the efforts of the Brazilian Association of the Pet Products Industry (ABINPET), Minas Gerais has become the first Brazilian state to recognize pet food as a 'non-superfluous' product. This means that Bill 1295/23, which would increase the state tax on goods and services (ICMS) by 2%, will not be applicable to pet food.

Besides the ICMS, three other taxes – on industrialized products (IPI), the social integration program (PIS) and the contribution to the financing of social security (COFINS) – are already levied on pet food, increasing the final product price by 50%. The 2% hike in the ICMS would have increased the tax burden by 25%, according to the CEO of ABINPET.



Only 1 vet per 5,000 pets in India

With the ratio of vets to pets in India standing at 1:5,000, online vet consultations could offer a solution to improve pet care. However, research by pet care start-up Supertails reveals that although 50% of pet parents in big Indian cities are open to the idea of online vet consultations, less than 16% actually use them. Additionally, 30% complain about challenges to accessing veterinary services, with 48% in tier 1 cities (and 36% in tier 2 and 3 cities) regarding the cost of living as the biggest challenge to accessing pet care.

Other findings include that 49% overlook the need for regular deworming and 41% occasionally forget timely vaccinations. Only a third of cat and dog parents adhere to regular 3-monthly check-ups.



DATA INSIGHT



\$891

is how much Taiwanese pet parents spent on their pets in 2023.

According to a recent survey by the Taiwan Institute of Economic Research (TIER), pet food accounted for the largest chunk of expenses (41%), reaching a total of NT\$8 billion (\$254M). Medical treatment and checkups (16%), and pet grooming (10%) followed.

NEW APPOINTMENTS



Zooplus

The German online pet retailer welcomed Jonas Schultheiss as its new Chief Marketing Officer.



FEDIAF

The European Pet Food Industry Federation appointed Belgian Sonia Franck as its new Secretary General.



Bella & Duke

James Sturrock is the new CEO of the British raw dog food subscription company.

OUTSTANDING COMPANY

GloriaPets

The Spanish pet product distributor has been named by the national organization of small and medium enterprises CEPYME as one of the 500 companies leading business growth in the country.

1

ABP Food Group's pet food division recently announced a capital injection of €48 million (\$52.8M) led by government agency Enterprise Ireland.

TOP 3 INVESTMENTS

2

Swedencare's North American subsidiary **Pet MD Brands** has taken over treat and pet care company Riley's Organics for \$7.5 million (€6.86M).

3

Belgian private-label pet food manufacturer **United Petfood** is to acquire Vital Petfood Group's (VPG) facility in Ølgod, 300 km west of Denmark's capital Copenhagen.



MOST READ NEWS ON THE WEBSITE

Debunking the rumors: is Petco really at risk of bankruptcy?

The company has been in the spotlight after financial risk platform Credit Risk Monitor included the American pet retailer as one of 11 companies at an elevated bankruptcy risk.

2024: looking back but moving forward

After an eventful 2023 worldwide, pet businesses and experts in the field are now looking to the future – but with caution.



David Palacios
Head of Editorial
GlobalPETS



The changes in prices and consumer behavior patterns seen last year are expected to have an effect on at least the first half of 2024. Grain costs and regulatory developments in Europe are also very likely to have an impact over the next 11 months.

Rises and falls in pet sector inflation

The International Monetary Fund forecasted that 2023 would end with global annual inflation of 6.9%, down from 8.9% in 2022. For this year, its forecast is for inflation to reach 5.8%.

Price hikes have hit the pet category even more aggressively, especially in Europe. Eurostat's Harmonised Index of Consumer Prices has reported 2023 inflation in the region as 5.4%, but the impact on pet supplies was considerably higher.

Germany is one of the European countries where inflation has hit the hardest in the category. From January to December 2023, prices were hiked by 14.8% – up from 10.1% in 2021. Finland and the Netherlands were close behind. In the UK, prices for pet care increased by an average of 12.1% in 2023, up from 9% the previous year.

On the other side of the pond, inflation in pet food in the US reached 10.8% in 2023 (up from 10.2% in 2022). Price hikes in pet supplies decreased from 9.2% in 2022 to 7.6% last year, according to the Bureau of Labor Statistics (BLS).

Cutting down on non-essentials

A recent survey from OnePoll, commissioned by consultancy firm KPMG, found that almost 6 out of 10 UK consumers plan to reduce non-essential spending in 2024. About 9% of them said they would spend less on pet products.

Inflation rates may stabilize in 2024, but pet owners will still look for the best quality at the best price. Of the poll respondents, 6% admitted that they were likely to switch to cheaper brands in the pet category.

In its Top Global Consumer Trends 2024, Euromonitor highlights that pet parents will resort to cost-cutting behavior this year, attempting to 'outsmart the system' by adopting more creative approaches to make their money go further. One of these buying strategies will be looking for alternatives, like using reward points for payment and switching to private labels and discounters.

Impact on retailers

The shift in consumer spending and the drop in purchases in non-essential categories are impacting the performance of companies around the world.

US pet retailer Petco has adjusted its full-year guidance and its earnings before interest, taxes, depreciation and amortization to \$400 million (€364.9M) for 2023, down from the previous guidance of \$460 million-\$480 million (€419.6M-€437.9M). Chief Financial Officer Brian LaRose says that the pressures on its non-essentials business pushed it to make this decision. ► [SEE NEXT PAGE](#)



Online US retailer Chewy has also revised its yearly revenue expectations for 2023 downward, citing “the ongoing macro pressures observed industry wide”. The company also admitted to losing active customers.

In the 6 months to October 2023, Pets at Home hit revenue of £241.6 million (€281.8M/\$306.8M) in accessories. This is £7.2 million (€8.4M/\$9.2M) less than the same period in 2022. The UK pet retailer forecasts a sales increase for this year in line with its medium-term ambition of 7%. It says it will use its data capabilities to get more consumers to choose its products over those of its competitors – thus increasing the company’s share of wallet – and to enable cross-sell and upsell options.

Still movement in the grain markets

Global uncertainty will continue to impact the commodities this year. Analysts consulted by PETS International agree that they are only “cautiously optimistic” about 2024.

According to ING’s Commodities Outlook 2024, corn prices are expected to remain under pressure, despite anticipated global corn output growth of almost 64 million tons for 2023/24. Experts also agree that, after a year of increases, soybean prices are likely to go down in the coming months.

New EU animal welfare standards

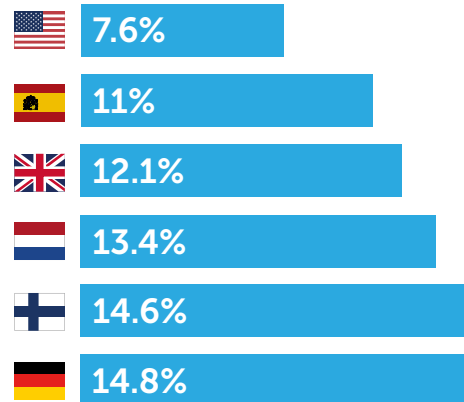
Europe wants to harmonize standards across the region for breeding, housing and handling dogs and cats in pet stores, breeding establishments and shelters.

There is a European Commission proposal to implement strict rules and automated checks for online animal sales, which currently account for approximately 60% of all transactions. Identification and registration of dogs and cats in national databases will also be obligatory, in a bid to fight illegal trade and to better control animal welfare conditions. According to official figures, trade in dogs and cats in Europe has significantly increased in recent years, reaching an annual value of €1.3 billion (\$1.4B).

Some players have adjusted their yearly guidance after a drop in the purchase of non-essential pet products.

Inflation in pet supplies

(average 2023)



Source: PETS International | national statistics services

The legislative text will now be submitted to the European Parliament and the Council of the European Union, the EU’s legislative body formed by all member states, for consideration.

European packaging rules on their way

This year, the EU will also start the legislative process for the Packaging and Packaging Waste Regulation proposed by the Commission at the end of 2022.

The Council recently agreed with the Commission that all packaging placed on the market must be recyclable, but added that packaging will be considered recyclable “when the waste packaging can be separately collected, sorted and recycled at scale”. There is also agreement that the region will need to reduce packaging waste by 15% by 2040, but member states want the Commission to review this target by 2034 and decide whether it is feasible.

In a 2022 survey, PETS International and Yummypets found that more than 45% of pet parents in the US, Canada, the UK, France and Belgium would probably or certainly be willing to pay more if pet food packaging were more environmentally friendly. A quarter of the respondents said they would be in favor of an independent scoring label on the environmental impact of packaging. Nearly 4 out of 10 said that they would probably be in favor of such accreditation. ♦



The rise of smart accessories for cats

Driven by innovative technologies designed for cats' well-being, connectivity and mental stimulation, this market has a bright future.



Karen Cornish
Contributor
PETS International

According to Business Research Insights, the global pet accessories market was valued at \$20.51 billion (€18.76B) in 2022 and is expected to reach \$32.29 billion (€29.54B) in 2028. One of the most notable trends propelling demand is high-tech devices for cats, such as wearables, automatic feeders, self-cleaning litter boxes, smart toys and robot companions.

The current landscape

Humans are becoming increasingly comfortable with the integration of connectivity into their lives, so it's no surprise that the benefits in the pet market are being embraced too. Smart pet accessories enable owners to care for their cats more easily and effectively, as well as help them to better understand their pets' health and happiness.

Cat owners who can't be with their pets all day are turning to smart accessories to fill in for them in their absence. According to Fact.MR, the global smart pet feeder market alone experienced year-on-year growth of 5.2% in 2021 to reach a market valuation of \$187.3 million (€171.33M). This growth is expected to continue and reach an estimated \$419.2 million (€383.47M) by the end of 2032. [▶ SEE NEXT PAGE](#)



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A solution to loneliness?

In addition to feeders that can be operated by apps to dispense portion-controlled meals or treats, there is a new breed of robotic companion emerging that has the potential to combat loneliness in cats by providing mental and physical stimulation throughout the day.

The O Sitter from HHOLove combines a pet activity tracker, customizable feeder and remote-controlled camera in what the company says is “the world’s first smart companion robot for cats”. An integrated laser play function in the O Sitter also allows an owner to interact with their cat remotely, while two-way HD video calls enable a cat to be reassured by the sound of their owner’s voice.

Mental stimulation through smart play

For a cat to have a healthy and happy life, mental stimulation is essential. Without sufficient stimulation, they can become bored or depressed, which can lead to undesirable behaviors such as being destructive or overly vocal. Smart toys are a great way to keep a cat entertained and tend to have a longer-lasting appeal than traditional toys.

The Instachew Purechew Smart Mouse toy is an app-enabled play device for cats. Controlled by an owner’s smartphone, the mouse-shaped toy offers long-lasting fun through the unpredictability of its movements. The toy can rotate 360 degrees and its speed can also be adjusted via the app, putting the owner in control and making the experience more of a collaborative play session.

Instachew’s cutting-edge pet technology has caught the eye of retail giant PetSmart, which has recognized consumer interest in smart pet accessories. In November, the 2 companies announced they were joining forces in a bid to “redefine the pet care landscape”.

Time-saving solutions

Smart cat accessories are also taking over the more time-consuming and less enjoyable elements of cat ownership, and this is most evident in the success of Litter-Robot, the self-cleaning litter box that promises owners will “never scoop again”.

“We’ve continued to see meaningful and steady growth since 2014,” says Jacob Zuppke, CEO of Whisker, the company behind Litter-Robot and, more recently, Feeder-Robot.

Zuppke adds that there are more than a million robots in the field, which has seen his company expanding into large retailers like Costco and PetSmart, emphasizing that pet parents are keen to automate and find time-saving solutions to certain tasks associated with cat ownership.

“Data will be a massive consideration in pet tech accessories moving forward, not only to improve ease of use for consumers but to monitor and maintain pet health,” concludes Zuppke.

Future opportunities

Looking ahead, there is plenty of scope for more innovation in smart pet accessories and no shortage of start-ups eager to find a place in this exciting market. Korean start-up Petnow is an example of just 1 company that is using AI to enhance pet ownership. Petnow uses AI as a non-invasive alternative to microchips to identify cats through cutting-edge scanning technology.

The software company’s world-leading cat ID service allows owners to register their cat’s face using its AI biometric recognition technology, which they can do from their smartphones. Once registered, cats can be identified by comparing a scanned face to the ones on the Petnow database. In tests, Petnow attained an impressive recognition rate of up to 99%.

The applications of AI in the smart pet accessories market are far-reaching, from enabling smart devices to distinguish between cats in a multi-cat household and preventing unfamiliar cats from entering your home to even translating feline meows.

MeowTalk is an AI-powered translator app that interprets a cat’s sound by comparing it to a database of noises collected and labeled by vets. Since November 2020, MeowTalk has seen over 20 million downloads worldwide, indicating a definite appetite for AI in the pet market. ◆

South Korea's drive to revolutionize pet tech



When it comes to innovation, South Korea often feels years ahead of other countries. And if the East Asian nation's technological ambitions come to fruition, the pet industry will soon be no exception.



Raphael Rashid
Contributor
PETS International

South Korea has long woven a narrative of prowess in the tech domain, from smartphones and semiconductors to the seamless integration of technology into everyday life. The country is now directing its focus towards the pet care space, with global ambitions.

Government endorsement

In 2022, the estimated number of pet-owning households in South Korea reached 6 million, representing around 1 in 4 households. Underscoring the importance of this burgeoning sector, the South Korean government recently unveiled an ambitious plan to double the size of the pet care industry to 15 trillion won (\$11.5B/€10.4B) by 2027. The focus will be on pet food, pet healthcare, pet services and pet tech.

"Activating the domestic market and expanding into the global market are necessary to respond to rapidly changing market factors such as pet humanization, technological innovation and demographic shifts," Kim Hyun-woo, who leads the Companion Animal Industry & Animal Healthcare Team at the country's Ministry of Agriculture, Food and Rural Affairs (MAFRA), tells PETS International.

At the heart of this plan is a societal shift in the perception of pets. No longer mere companions, pets are now seen as integral family members in this country, which is grappling with the world's lowest birth rate and a rising number of one-person households.

***No longer mere companions,
pets are now seen as integral family
members in South Korea.***

\$500 million in the next decade

In 2022, a Seoul National University analysis commissioned by MAFRA estimated the domestic pet tech sector at a modest \$80.2 million (€72.6M). However, with a high annual growth rate (16.33%), this sector shows great promise, and the nation hopes that it will be worth \$500 million (€453M) in 10 years' time.

Notable pet tech players

The take-up of pet insurance in South Korea is extremely low (less than 1%), and 8 out of 10 pet owners describe veterinary medical expenses as 'burdensome'. It is therefore perhaps unsurprising that many players in the pet tech segment are dedicated to enhancing the overall health and well-being of pets. Some of the standout companies include Petnow, Pireco and iSciLab, each providing diverse solutions in biometric recognition – a technology poised to revolutionize a potential mandatory pet registration law that is currently under discussion in the National Assembly.

Another notable player is Petner, which offers an app to access professional pet-sitting services provided exclusively by ID-verified veterinary students and veterinarians, thus ensuring a high standard of care. Meanwhile, PitterPetter focuses on DNA tests for dogs and cats, offering insights into the genetic incidence of developing diseases.

Utilization of AI

One key start-up in the field is AI FOR PET. Its flagship product, TTcare, is a healthcare app that analyzes user-submitted photos of dogs or cats based on artificial intelligence (AI) to detect signs of diseases and other health issues. According to the company, the dynamic nature of the pet tech space can be attributed to the swift acceptance and utilization of new technologies that are consistently introduced and rapidly embraced

The take-up of pet insurance in South Korea is extremely low at less than 1%.

in wider society. Simultaneously, challenges faced by pet parents in finding time and space for pet activities are steering a shift towards proactive pet healthcare.

"We believe that we are creating a culture of preventive medical care that has been lacking in the pet healthcare system," says a company spokesperson. They add that the firm's app has positively impacted users by enabling them to quickly detect health issues in the early stages. The start-up is also contributing to the evolution of pet healthcare regulations, having recently secured a 2-year special exemption from the government within the regulatory 'sandbox' to provide veterinary consultations online, despite this space currently being restricted by South Korean law.

Another example of how AI is being used in the context of pet health is Dogibo. This camera-based service launched by Petpeotalk allows pet owners to monitor their pets remotely. AI-supported analysis of the pet's body language, movements, sounds and other behavior provides real-time insights into their anxiety, loneliness and overall well-being.

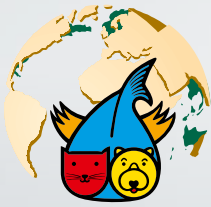
"Our users are grateful for knowing about their pets while they are out," points out Ryan Kwon, CEO of Petpeotalk. "Our service highlights the problem [of pets left alone at home] and we are now looking to add functions to solve this issue, such as care services," he continues, hinting at the possibility of becoming a comprehensive pet care service provider.

More business opportunities?

Various opportunities appear to be opening up, especially because later this year restrictions are set to be lifted on pet insurance and potentially on pet biometrics and tele-veterinary services, too. Even so, Kwon concedes that the pet care sector is still fragmented: "Pet tech, pet food, pet e-commerce, pet wearables... they're all still a little disconnected from one another. I predict that many of these services will be acquired by large corporations and bundled into comprehensive solutions."

▶ SEE NEXT PAGE





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Telecom giants want a slice of the pie

In a bid to secure customer loyalty, South Korea's telecom giants are extending their roles beyond mobile phones, TV and the internet to become digital tech providers. Their services encompass everything from super-apps to music services and connected home appliances, and pet tech now falls within their comprehensive portfolio.

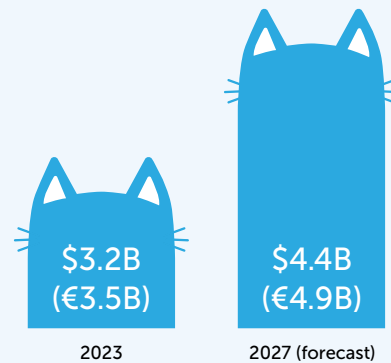
For example, LG Uplus, the third-largest mobile network operator in South Korea, has made a significant foray into this new market in a bid to innovate customer experience. "We are actively expanding our presence in the pet market by acquiring start-ups or making equity investments that can create synergies," says Lee Jang-ho, General Manager of the Pet Platform Squad at LG Uplus.

The firm recently acquired Along, a domestic dog space rental start-up or 'pet Airbnb'. It also invested 3 billion won (\$2.3M/€2.5M) in Vetching, a provider of cloud-based electronic medical records (EMRs) for animal hospitals, and acquired PuppyU, a start-up operating South Korea's largest online dog community. PuppyU was then integrated into LG Uplus's Fordong pet care platform that provides 'DBTIs' (Myers-Briggs Type Indicator-style personality tests for dogs) and free online consultations with training experts, as well as a trainer-matching service for behavioral adjustment. Fordong has garnered more than 300,000 subscribers in just 14 months since its launch.

Meanwhile, the country's largest mobile network operator, SK Telecom, introduced X Caliber in 2022. This AI-based veterinary x-ray image diagnosis assistance service can deliver analysis within 30 seconds and detect diseases with accuracy levels of over 84%. The service recently entered Japan and the company plans to expand to the US soon. "Our vision is to apply our cutting-edge AI technologies across industries and geographies to create a better world," comments Ha Min-yong, Chief Development Officer at SK Telecom.

Ha notes concerns about a global shortage of veterinarians and radiologists. "In response to this, we envision AI playing a key role, helping veterinarians by diagnosing ailments in animals who literally cannot verbalize their symptoms," he continues. According to

Pet market in South Korea



Source: Korea Rural Economic Institute (KREI)

him, in the future the company plans to include coverage of CT and MRI scans, and to expand the service scope to include pathological analysis such as blood tests.

"It's not just about the importance of pet tech; we believe this area aligns perfectly with our AI abilities and we plan to focus our cutting-edge AI skills in this sector to improve the welfare of animals," Ha explains.

Going global

But while the domestic pet care market in South Korea is thriving, according to the latest data it represents only 1.6% of the global market. That figure falls short of the expectations of the country's government, which wants to nurture it into a "national strategic industry". Therefore, on top of financial support for selected start-ups, over the coming years the government is allocating more than \$25 million (€22.6M) to fund research and development in initiatives where there is growing demand, such as in digital healthcare, medical devices, and pet tech items like robotic toys and wearables.

Another government solution is a comprehensive infrastructure called One-Welfare Valley for the development of the overall pet care industry. This initiative will serve as an innovation hub for demonstrations, research and entrepreneurship. "We will secure a level of quality competitiveness that will allow our companies to compete on the global stage," concludes MAFRA's Kim. ♦

US pet supply sales on Amazon up by a quarter

With sales of pet-related items through Amazon increasing by 25% in 2023, how do the online figures look in different segments and for larger and smaller retailers and brands in the US?



David F. Carr
Senior Insights Manager
Similarweb



Growth is still possible for pet companies that target the right niche – often while seeking to sell through Amazon as well as competing with it.

Part of the story of Amazon’s growing dominance is that other retailers struggle to achieve a fraction of its growth, let alone its volume. Yet growth is still possible for pet product companies that target the right niche – often while seeking to sell through Amazon as well as competing with it.

Record-breaking activity

Amazon continued to grow its stake in the pet segment, with the category accounting for \$18.2 billion (€16.7B) in US revenue during the whole of 2023, up 24.6% from 2022. Its own brand of pet supplies, Amazon Basics, increased its performance by 43.3% last year, with 8.5 million units sold and a total revenue of \$204.7 million (€188M).

According to Similarweb Shopper Intelligence estimates of US consumer activity on amazon.com, natural pet food producer Blue Buffalo was the most sold pet brand in 2023, with 16.1 million units and \$391 million (€359M) in revenue.

Purina’s Fancy Feast and ONE hit a combined revenue of \$463.7 million (€426M). Friskies, another Purina label, achieved the biggest increase on Amazon, with 9.4 million units sold – up 289.5% – and \$188.1 million

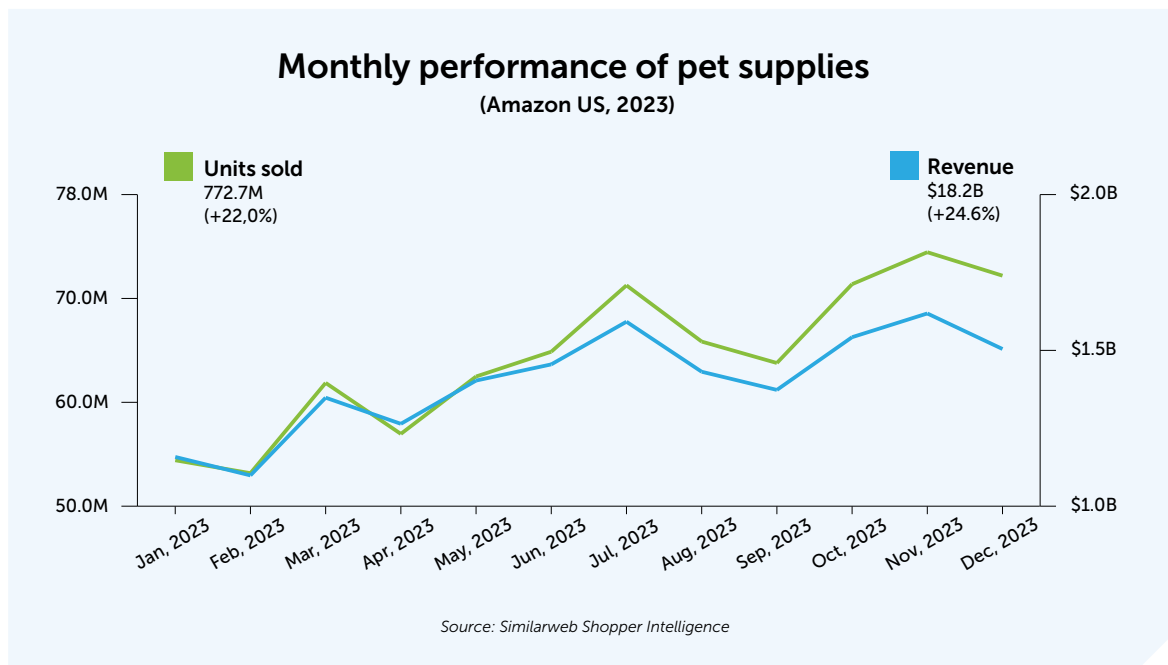
(€172.8M) in revenue – up 315%. This jump was mainly driven by the brand’s Party Mix cat treats and Gravy wet cat food.

Blue Buffalo is top dog

The Similarweb US data shows that Amazon’s sales of products for dogs reached \$11.3 billion (€10.4B) in 2023, an increase of 26.7% on the previous year. This represented 469.2 million units sold, up 23.4%.

Blue Buffalo was the top brand in the dog segment, with 11.7 million units sold (up 51.2%) and revenue hitting \$287.7 million (€265M), 27.5% more than in 2022. Pedigree was the second most sold brand in the category, but experienced a slight decline of 0.8% in units sold.

Amazon Basics ended as the fifth most popular brand. The giant’s private label also achieved the second biggest performance increase last year, with sales going up by 39% to 6.8 million units. Revenue rose by 31.3% to \$161.8 million (€148.7M). [▶ SEE NEXT PAGE](#)



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According to the Digital 100, Similarweb’s ranking of the fastest growing online businesses in the US, traffic on the Greenies website increased by 492% between 2022 and 2023. The websites capstarpet.com (+236.2%), sundaysfordogs.com (+160.8%) and 1800petmeds.com (+138.6%) followed in this growth ranking.

Other ups and downs

Several companies in the pet sector showed some online growth in 2023. These include webshop petsmart.com, which grew its traffic by 3.7%, and dog walking service rover.com, up 10.3%.

A number of better-known online pet retailers had a less successful year online. Traffic to Chewy’s website, for example, was down by 5.2%, year-on-year, while traffic to petco.com dropped by 2.3%. ♦

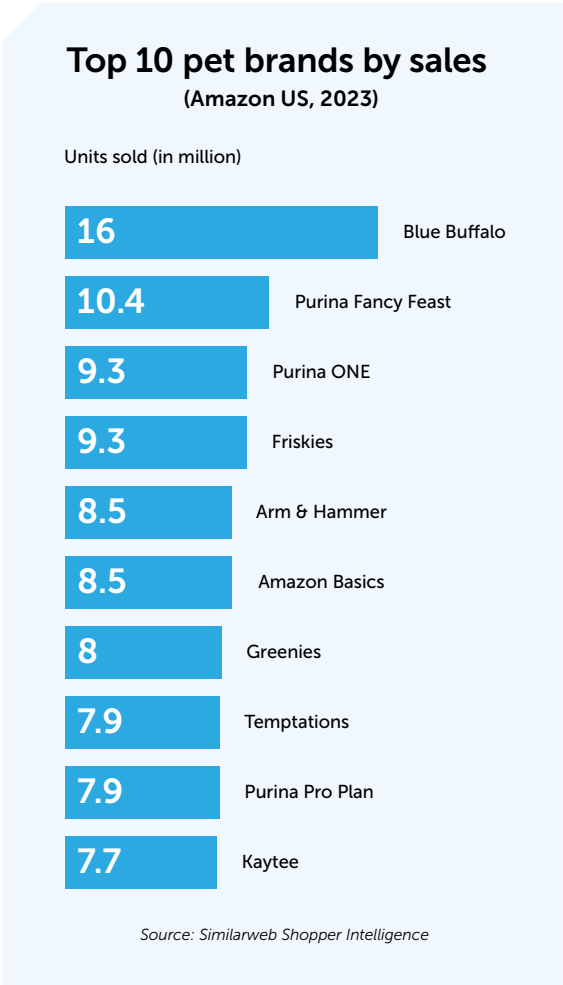
The cat department

Although a smaller category on Amazon than dog products, items for cats showed similar trends in both sales value and units sold. Sales of cat supplies between January and December 2023 were \$4.8 billion (€4.4B), up 25% from the same period the previous year. Units sold increased by 21.6% to 209.1 million.

Purina Fancy Feast was the top brand in the category, with a 94% rise in sales value to \$202.2 million (€185.8M). Friskies was the fastest growing of the top brands, however, with sales up 316.5% to reach \$177.1 million (€162.7M). Temptations ended in third place, with 8 million units sold and \$121.9 million (€112.2M) revenue.

Fast growing pet care websites

Producer of dog supplements and chews Greenies was one of the fastest growing online businesses in the pet category in the US last year. Its website received a total of 9.6 million visitors over the 12 months of 2023, with 663,900 unique visitors per month. In addition to growing this direct-to-consumer webshop, Greenies increased its sales on Amazon, with Similarweb Shopper Intelligence estimates indicating revenue up 21.6% and units sold up 13%.



Fresh intel on the UK pet market

UK pet owners remain largely brand-loyal, are increasingly buying fresh and raw pet food, and are becoming more open to subscription models.



Sam Farnfield

Director

PwC Strategy&



Consumer research conducted by PwC Strategy& among 1,000 pet parents in the UK in 2023 reveals some interesting insights into the market. The key findings are highlighted below.

The rise (and rise?) of fresh and raw

Fresh and raw pet food continues to gain traction in the UK, with 16% of dog owners and 12% of cat owners in the survey having bought fresh food (i.e. food stored in the fridge/freezer) for their pets. Purchases of raw food are slightly lower (13% and 8%, respectively), although Google Trends data, which shows search volumes for specific keywords, suggests sustained interest in the category. This is also reflected in some retailers' investment in the space.

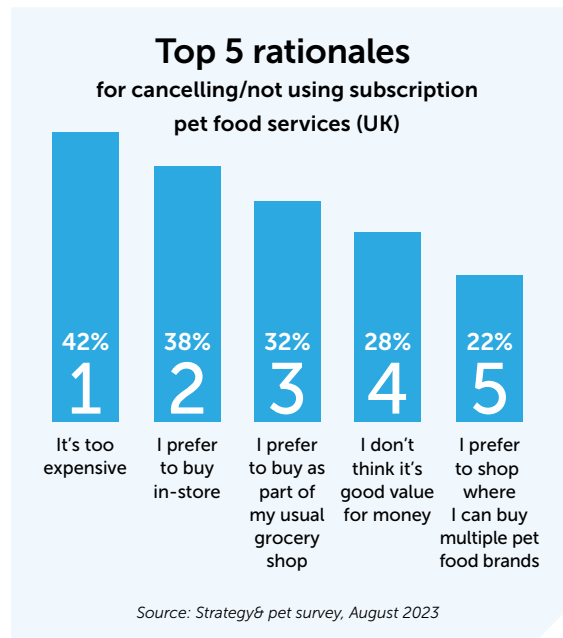
What's driving this growth? According to the survey's respondents, the main drivers of purchase are, unsurprisingly, all about their pet. 21% of responses highlighted the pet's preference for the taste and 17% said: "It's better for my pet's health". Accounting for 16% of the responses, high-quality ingredients were also a key driver of purchases. Conversely, price is the primary barrier to buying into the category according to 22% of respondents, while the secondary obstacle relates to storage space at home (12%).

So, what's next for the category? Raw/fresh penetration in the UK lags behind some other European markets, so there still seems to be significant potential in this area. The ultimate ceiling will be determined by capacity on both the supply side (most notably the mainstream grocery retailers) and the demand side (storage space in consumers' fridges/freezers).

The age of subscriptions is dawning

Subscription models are gaining popularity in some segments of the pet market, as evidenced by the ongoing increase in online traffic to leading players' websites since COVID. The research indicates that dog owners are more likely to use subscription services than cat owners (17% vs 13%). This is partly due to the bulkier nature of dry dog food, which broadly drives higher online penetration.

Subscription pet food shoppers tend to be relatively younger (28% of 18 to 34-year-olds have used a subscription pet food service against 7% of those



aged 55 to 74) and more affluent (most earn an annual salary of over £50,000 [€58,000/\$64,000]). The key drivers of subscription usage are convenience (11%), quality (11%) and taste (10%). Price is a key barrier according to 22% of non-users.

According to the data, 15% of dog owners and 12% of cat owners tried subscription services but then cancelled. The price, a preference to buy in store and the lack of value for money were the top rationales for not continuing with subscription services.

Brand loyalty and bulk buying

Analysis of the data reveals that UK pet owners are buying from an average of 6 pet food brands in any given year – and cat owners specifically buy from closer to 10 different brands.

Even during the cost-of-living crisis, pet food shoppers have generally remained loyal to brands, with the most common behavior change being 'stocking up' or buying bigger pack sizes to take advantage of price deals. Similarly, some consumers have switched to private label alternatives, resulting in around a 3 ppt value share gain against branded food in the grocery channel since 2021.

Cat owners are less likely than dog owners to change their buying habits. Owners attribute this to their cats' more 'picky' (or should that be 'refined?!') palates. ♦



The acquisitions driving the pet industry forward

As 2024 starts to take shape, what will be the impact of some of the sizeable investments in different parts of the sector and the globe last year?



David Palacios
Head of Editorial
GlobalPETS



Olivia Hooper
Contributor
PETS International

In line with an increasing trend in recent years, pet players around the world continued to attract investor interest in 2023. We take a look at the major developments and the growth areas to watch out for.

US manufacturers

One of the year's biggest financial transactions in the field occurred in June, when manufacturer The J.M. Smucker Company divested some pet food brands to packaged goods company Post Holdings

for \$1.2 billion (€1B). Later in the year, Post Holdings developed its pet business even more with the purchase of private label manufacturer Perfection Pet Foods for \$235 million (€215M).

In August, private equity (PE) firm PAI Partners acquired pet food manufacturer Alpha in a transaction worth around \$1 billion (€918.5M).

General Mills stepped into the world of pet supplements last year with the acquisition of Californian dog and cat supplement company Fera Pet. The multinational hopes the supplement firm will bring a "health-focused" dimension to its pet portfolio.

Central Garden & Pet, the largest distributor of garden and pet supplies in the US, took over TDBBS, a premium natural dog treat provider from the state of Virginia.

European acquisitions

In the UK, dog food subscription company Butternut Box raised £280 million (\$354.2M/€325M) in the fall to advance the company's "long-term vision" of developing the fresh pet food category across Europe. Earlier in the year, the firm had acquired the Polish fresh dog food company PsiBufet, with the objective of expanding further into Central and Eastern Europe.

UK manufacturer Assisi Pet Care was acquired by Chicago PE firm Wind Point Partners in October. Shortly afterwards, Assisi announced the acquisition of UK-based pet food company Burns Pet Nutrition for an undisclosed amount.

Premium pet food provider Voff expanded its footprint in the Netherlands and Belgium last year, with the acquisition of raw pet food producers Energique and Carnibest, while Czech manufacturer VAFO Group acquired UK pet food firm Pooch & Mutt.

In December, Belgian private label manufacturer United Petfood announced the takeover of the Dutch company De Haan Petfood to consolidate its success in the wet food category.

Developments in India and Australia

PE firm L Catterton entered the Indian market in 2023 with an investment of \$60 million (€55M) in Bengaluru-based Drools. The brand will leverage L Catterton's expertise to strengthen its position as the largest domestic player in India's booming pet food market.

Australian fresh pet food firm Lyka secured a capital injection of AU\$55 million (\$36.7M/€33.7M), which will be used to triple its production to help meet demand.

Pet retailers

US online pet care marketplace Rover Group announced in November that it had entered into a definitive agreement to be acquired by private

Investments in the treats and supplements space represented a big part of the financial developments.

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investment firm Blackstone for \$2.3 billion (€2.1B). The transaction is expected to be completed in the first quarter of 2024.

In Europe, a consortium led by Portuguese multinational Sonae put in a bid of €868 million (\$947M) to take over Finnish pet retailer Musti – part of a strategy to internationalize its retail portfolio by reinforcing its presence in the "rapidly growing" pet care retail sector.

In November, German pet retailer Fressnapf announced the takeover of Dutch pet retailer Jumper. Owner and founder Torsten Toeller explained that this takeover is a "strategically important" step for the firm's positioning in the Netherlands.

South Africa's largest retail group Woolworths acquired 93.45% of pet retailer Absolute Pets, while Sydney-based online pet retailer Pet Circle received a capital injection of AU\$75 million (\$50M/€45.8M).

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Insect suppliers

Back in April, French insect farming firm Ynsect secured a Series D funding round worth €160 million (\$175.5M) to accelerate marketing authorizations for its ingredients across various markets, including Asia.

In October, US manufacturer Tyson Foods invested \$55 million (€50.4M) in Dutch insect supplier Protix to boost its global expansion strategy as well as its research and development capabilities. The companies also entered into a joint venture to construct and operate a low-footprint insect ingredient facility.

Veterinary and insurance sector

Swedish PE firm EQT made 2 acquisitions in 2023: London-based veterinary pharmaceutical company Dechra for £4.46 billion (\$5.7B/€5.1B) and Australian vet care provider VetPartners for AU\$1.4 billion (\$940M/€858.2M).

In another European development, UK financial group Admiral acquired the Royal & Sun Alliance (RSA) pet insurance business for £115 million (\$145.5M/€133M).

And Swedish pet insurance firm Lassie raised €23 million (\$24.9M) in a Series B funding round to expand the company's footprint in Europe and improve its e-commerce capabilities.

Mars Petcare acquired veterinary product provider Heska in April. The Colorado firm is set to join Mars in its whole pet portfolio across veterinary health and diagnostics, nutrition, innovation and technology.

Premium pet food provider Voff expanded its footprint in the Netherlands and Belgium last year.

Veterinary and grooming software platform Petvisor and New York-based service provider Bond Vet raised \$100 million (€91.7M) and \$50 million (€45.8M) respectively. Later in the year, Petfolk pet care centers in North Carolina raised \$40 million (€36.6M), and pet pharmacy firm Mixlab, also in the US, announced a \$10 million (€9.1M) investment – both aiming to expand their veterinary services. ♦



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Time for action: the carbon footprint of the hidden soy in pet food

A deep dive into granular data can accelerate understanding of the impacts of soy in animal feed, which can have an outsized effect on the carbon footprint of pet food.



Jürgen Reinhard
Co-founder
AdAstra Sustainability

Soy can significantly shape the carbon footprint of food products, including pet food made from animal by-products, as soy is a cornerstone of feed eaten by chickens, swine and other livestock. How much it influences this impact hinges on where the animal that eats the soy was raised, where the crop was cultivated and whether the land it was grown on has recently been converted to agriculture.

Unique challenges

The complexity of the pet food value chain poses unique challenges to accurately assessing a product's carbon footprint. A manufacturer must identify the origins of the animal by-products used in the pet food, where the animals were farmed, what they were fed and where the ingredients in their feed came from.

While information about the origin of by-products is often within reach of manufacturers via their suppliers (albeit generally not without obstacles), the origins of

feed ingredients are likely to be more obscure. This is as true for grains such as corn and wheat as it is for soy.

Then, even if the ingredient can be traced back to its country of origin, the data on carbon emissions from land conversion has historically been too coarse to support strategic decision-making on environmental risks.

A puzzle worth solving

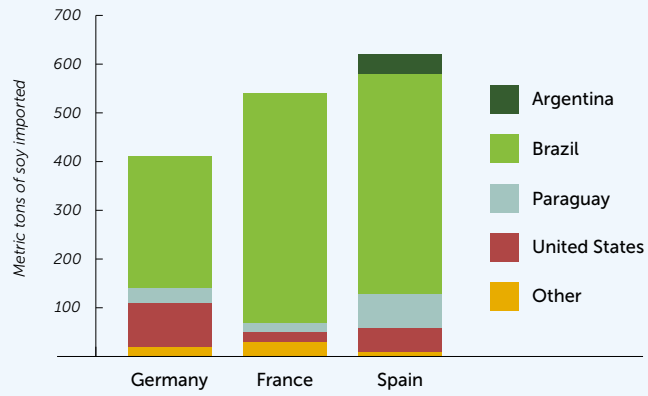
The expansion of soy production to feed livestock is a known driver of deforestation and other types of land conversion, with 40% of the world's arable land used to grow feed, according to the Food and Agriculture Organization of the United Nations. For poultry, 40 to 70% of its climate impacts come from land conversion alone, largely due to the soy they're fed. It is widely accepted that to minimize global warming, we need to stop converting land and start restoring it within the next 6 years.

[▶ SEE NEXT PAGE](#)

Knowledge is power when it comes to understanding risks and engaging with suppliers.



The mix of soy imported to Europe comes with its own unique carbon footprint



GHG emissions from land conversion

Source: AdAstra Sustainability

If that's not enough to inspire action, pet food manufacturers have extra incentives to better understand their ties to land conversion:

- A prerequisite to tracking progress on sustainability commitments is having sufficient insight into the supply chain to measure the effect of various interventions
- Fast-evolving policies such as the EU Deforestation Regulation and Corporate Sustainability Reporting Directive require traceability, transparency and compliance
- Industry collaboration is needed to foster conditions for success in addressing shared challenges such as land conversion

Unravelling the value chain

Swiss sustainability consultancy AdAstra, while supporting a leading food manufacturer with a stake in European poultry, has pioneered a multifaceted solution to calculate the carbon footprint of the soy embedded in its client's chicken products. The case study used trade statistics and subnational,

We need to stop converting land and start restoring it within the next 6 years.

high-resolution data on land conversion to unravel the impact of soy, highlighting the implications for poultry and by extension for the pet food industry.

Using a custom international trading model, it worked backwards, tracing the origins of the soy from slaughterhouse locations in Europe to the exporting countries, such as Brazil, Paraguay and Argentina. AdAstra then used subnational trade data from transparency initiative Trase to determine the jurisdictions within each country that likely supplied the soy.

Using its technology called Orbae, AdAstra calculated the greenhouse gas emissions from land conversion for soy in each subnational jurisdiction. Working at a resolution of 30 meters, Orbae combines data on agricultural crops and land conversion derived from satellite imagery, then calculates the carbon footprint for any level of traceability, whether a farm, municipality, state or country.

The findings

Replacing the coarse data with the refined impact factors from Orbae resulted in a 35% decrease in the overall carbon footprint of the client's chicken. While this project resulted in a lower product footprint, the opposite can be equally true. Greater granularity may reveal previously unknown hotspots.

However, this should not deter companies from taking responsibility for their contribution to land conversion. Knowledge is power when it comes to understanding risks and engaging with suppliers.

Subnational origin

With the improved granularity, AdAstra found that land conversion emissions for soy vary widely within exporting countries. In Brazil, it observed footprints ranging from 100 kg CO₂-equivalent per metric ton of soy to a staggering 18,000 kg CO₂-equivalent depending on the municipality.

Importing location

Where the animal is raised influences the footprint of the final product, as different European countries import unique mixes of soy from exporting countries. For instance, the sourcing patterns of soy imported to Germany look different from those of Spain, and so come with a different carbon footprint. That footprint gets passed along to the next links in the value chain: the feed, and in the case of AdAstra's client, the chicken.

Land conversion

While forests tend to take the spotlight, soy expansion can also be a driver of land conversion of other important natural ecosystems, such as savannas and wetlands. In Brazil, AdAstra found that such land conversion makes up a third of the climate impacts of the soy value chain. Despite being vital carbon sinks, natural ecosystems beyond forest have been largely overlooked, but require consideration.

Putting insights to work

The insights from this case study transcend soy, offering a blueprint for applying the same methodology to other high-risk commodities used in animal feed, such as corn, rice and palm.

Pet food manufacturers can leverage this granular data to enhance visibility into their impacts, make informed decisions about how to reduce them, manage their risks and actively contribute towards the imperative goal of ending land conversion and restoring nature. ♦



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New EU sustainability reporting – the facts

This year is the first time that some companies will need to comply with new EU rules as part of the European Green Deal. We explain some of the ins and outs.



Minahil Choudry
ESG Reporting Specialist
Point B

In 2024, there will be a significant transformation in corporate sustainability reporting in the EU and subsequently worldwide. As of the new fiscal year, companies falling within the scope of the directive will be required to disclose their Environmental, Social and Governance (ESG) impacts under the Corporate Sustainability Reporting Directive (CSRD).

Decoding the terminology

CSRD

The CSRD represents a comprehensive revision of the 2014 Non-Financial Reporting Directive (NFRD), the existing EU sustainability framework. Its objective is to enhance data quality for investors, while aligning with the policy objectives of the Green Deal.

ESRS

If you are already familiar with the new directive, you might also be aware of the European Sustainability Reporting Standards (ESRS). These standards lay out the reporting requirements of the CSRD. The ESRS

consists of 2 'cross-cutting' standards composed of general requirements, plus 10 additional standards that are specific to any of 'E' (environment), 'S' (social) or 'G' (governance) topics.

The European Commission recently proposed some changes to the ESRS, allowing companies with less than 700 employees to omit Scope 3*** and own workforce disclosures during the first year. The Disclosure Requirements in ESRS 2 – which address cross-cutting general disclosures – are to be reported irrespective of the outcome of the assessment, and all other ESRSs are subject to materiality assessments.

Key CSRD features and requirements

Double materiality

Double materiality requires companies to report on both the financial risks sustainability issues may pose to their business (= financial materiality) and the company's impacts on people and the environment (= impact materiality). The CSRD is the first major legislation that requires a double materiality approach to all ESRS standards.

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ESRS categories

Cross-cutting standards

- ESRS 1: general requirements
- ESRS 2: general disclosures*

Environmental standards

- ESRS E1: climate change
- ESRS E2: pollution
- ESRS E3: water and marine resources
- ESRS E4: biodiversity and ecosystems
- ESRS E5: resource use and circular economy

Social standards

- ESRS S1: own workforce
- ESRS S2: workers in the value chain
- ESRS S3: affected communities
- ESRS S4: consumers and end users

Governance standards

- ESRS G1: business conduct

**Required regardless of double materiality results*

Cross-cutting disclosures

Two cross-cutting standards cover overarching reporting requirements on governance, strategy, impacts, risks and opportunities, as well as metrics and targets. These are tightly aligned with recommendations from the Task Force on Climate-Related Financial Disclosures.

Disclosure requirements include:

- Material ESG risks, opportunities and impacts (operational and across the value chain)
- Impact of risks and opportunities on the business model
- Sustainability due diligence processes
- Risk management processes, board oversight, integration of sustainability KPIs into incentivization schemes
- Policies to manage material ESG impacts
- Sustainability targets, goals and metrics
- Action plans for addressing material ESG topics

Reporting across a broad range of topics

On top of the mandatory cross-cutting disclosures listed above, the CSRD also requires disclosures on material impacts, risks and opportunities across various ESG topics. Although these are technically subject to

double materiality, it is highly unlikely that more than a few (if any) can be omitted. For example, subjects like climate change, biodiversity, own workforce, workers in the value chain, and affected communities apply to almost all businesses.

CSRD expands scope

Besides the need for more comprehensive reporting on environmental and human rights impacts and sustainability-related risks, the CSRD significantly expands the number of companies within its scope, from approximately 12,000 to over 50,000.

Businesses that come under the scope of the CSRD will also have to disclose their company's percentage of turnover, revenue and capital expenditures aligned with the 6 EU taxonomy objectives.

Who's impacted by the CSRD?

The new sustainability directive impacts 3 groups of companies:

- Large companies based in the EU – with at least 2 of the following: over 250 employees, over €40 million (\$43.7M) turnover in net revenue or over €20 million (\$21.9M) total balance sheet assets
- EU small and medium enterprises (SMEs) – with less than 250 employees, less than €40 million (\$43.7M) turnover and less than €20 million (\$21.9M) total assets
- Certain non-EU parent companies doing business in the EU – with €150 million (\$164M) net turnover in the region and 1 branch or subsidiary in the EU generating more than €40 million (\$43.7M) net turnover

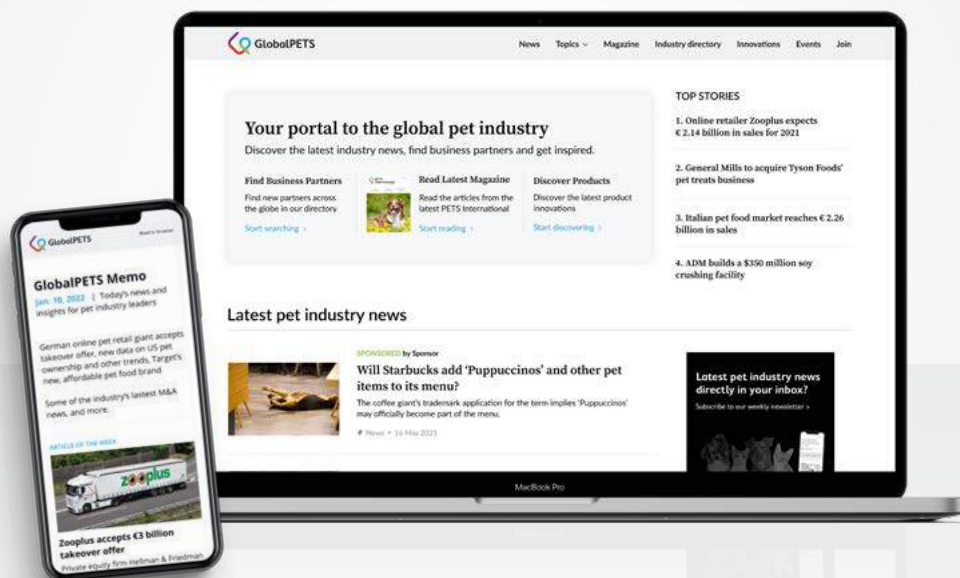
6 steps to prepare

The CSRD reporting requirements for different types of companies will be phased in between 2025 and 2029. For some businesses, the disclosure timeframe may seem far away, but many of the steps to comply with the standards require years of planning and implementation.

1. Set up a cross-departmental working group:

to collect the information needed for CSRD compliance and to integrate ESG aspects into standard business functions. This includes, but is not limited to, risk, legal, procurement and finance. [▶ SEE NEXT PAGE](#)

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Achieving integration is not feasible with a siloed ESG department, particularly when it concerns nuanced ESRS topics such as biodiversity, the circular economy and value chain workers. Companies that do not meet the requirements of the CSRD may be those that fail to integrate ESG efforts across all their departments. It's worth noting that the expectations of the CSRD surpass what ESG teams – or even diversity, equity, inclusion and justice teams – can achieve independently.

2. Conduct a double materiality assessment: using the 12 ESRS as a guide, conduct an assessment to determine which ESG topics financially impact your business and how your business impacts those issues.

3. Create a climate transition plan: part of the climate change disclosure is a 1.5°C-aligned transition plan. How to reduce significant Scope 1* and 2** emission sources, including fuel and energy use, is what needs to be considered. Assess whether your business model – or a part of it – needs to change to support a net-zero economy. Developing a plan means engaging business leaders from the cross-departmental working group and determining possible strategies – an all-hands-on-deck effort is required.

4. Build a strategy for Scope 3 emissions: the CSRD requires Scope 3*** disclosure for all in-scope companies. To develop a Scope 3 strategy, start by communicating expectations and data reporting requirements to your suppliers. It is advisable to use a supplier management platform like CDP Supply Chain or EcoVadis to track progress.

Establishing effective reporting processes with your suppliers can take years, before you can even start implementing a Scope 3 reduction plan, so this is not an area to procrastinate in. And by the time CSRD reporting applies to all companies, the 2030 greenhouse gas emissions goals will be just a year away.

5. Educate your board on sustainability: for effective management of risks and opportunities, the board should oversee sustainability issues. Educate the board on sustainability and adopt a governance structure that meaningfully incorporates board and executive oversight. This includes screening board members for ESG topic competence.

6. Engage an assurance provider: independent third-party assurance is mandatory from 2025. So, if an assurance provider has not already been engaged, initiate the process now to obtain their advice upfront. Make sure all expectations are clear and develop programs and disclosures accordingly. At a minimum, a clear audit trail and documentation of all processes and controls are necessary to support disclosures.

Rising investor expectations

As with several recent ESG policies in the EU, the CSRD carries extensive implications. Even if your business is not officially within the CSRD scope, it is wise to stay ahead of developments. Frameworks and regulations emerging from the EU traditionally indicate the direction of global trends in ESG and corporate accountability. Also, investor expectations are anticipated to rise continuously. The capacity to produce auditable ESG reports with investor-ready information is critical, irrespective of legal requirements. ♦

CSRD reporting phase-in

Company type	Fiscal year	Reporting in
Large EU companies already subject to the NFRD, with over 500 employees	2024	2025
Large EU companies not currently subject to the NFRD	2025	2026
EU SMEs	2026	2027
Non-EU companies	2028	2029

* Scope 1 emissions are direct emissions from owned or controlled sources.

** Scope 2 emissions are indirect emissions from the generation of purchased energy.

*** Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

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Certification is much more than a quality label



As accreditation schemes become more popular in many industries, experts in the field decode the value of these credentials for the pet sector.



Muskaan Gupta
Associate News Editor
GlobalPETS

The consumer buzz around sustainability and quality has made global accreditation schemes increasingly popular among pet players. They can help build a better reputation worldwide as well as maximize efficiency in many parts of your business.

Sustainable recognition

In the huge pool of internationally recognized certifications, there are only a few common and sought-after schemes. The International Organization for Standardization (ISO) and Food Safety System Certification (FSSC) provide international standards, schemes and audits for food safety and operational management, with sustainability and emission control among other benefits. B Corp certification is also increasingly popular.

ISO 14001 is often chosen by larger organizations and corporations involved in manufacturing, transportation and services, and it is one of the most common systems for environmental impact and risk evaluation.

“ISO 14001 has always sat there as an element of control, demonstrating that an organization is taking environmental responsibility seriously,” according to Tamma Carel, Environmental Consultant and co-founder of the iCOR compliance platform. She explains that the historic driver for seeking ISO 14001 has always been consumer-led. “What I think COVID has done is to make consumers more discerning about the environmental credentials of the businesses they engage with, and the products and services that they buy.”

Musti is convinced

Overall, the benefits of certifications center around risk assessment and heavy cost savings across legal, environmental or operating recalls, [▶ SEE NEXT PAGE](#)

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which otherwise would cost millions. They also aid in improving environmental performance by providing waste, water and electricity management schemes, boost market expansion opportunities and enhance brand reputation for a competitive edge.

One of the companies that recently obtained the ISO 14001 certificate was Nordic pet retailer Musti. Its pet food factory Premium Pet Food Suomi Oy also received another certification: FSSC 22000 (food safety management).

According to the retailer's Chief Operating Officer Pamela Nelimarkka, the certification process itself brought numerous benefits to their internal processes. "Although consumer awareness of quality or environmental certificates may not be very high at present, consumers are increasingly demanding sustainable and locally produced products that are safe to use," she tells PETS International.

Certifications also serve as an assurance for buyers that a business maintains a high level of food safety. This has proven essential for Musti when targeting markets beyond the Nordics. "External verification of our food safety level provides a competitive advantage," concludes Nelimarkka.

B Corp appeal

Attaining a hard-earned B Corp certification is growing in appeal among pet firms. If a business is a certified B Corporation, it meets high standards of verified performance, accountability and transparency. B Lab certifies a company for 3 years, after which a recertification assessment determines whether the company still maintains the required standards. Several companies operating in the pet space obtained this certification last year. This included UK-based THE PACK, which was Europe's first plant-based pet food firm to receive the accreditation. Australian fresh dog food brand Lyka also secured this prestigious status in November 2023.

Positive impact on operations

For Lyka, adhering to the B Corp standards served as a strategic guide to achieving the 99th percentile across Environmental, Social and Governance practices,

Consumers attach importance to the environmental credentials of the businesses they engage with.

demonstrating a tangible impact on daily operations and avoiding mere 'greenwashing' PR campaigns. The company is planning to address water management across its whole value chain, and to implement water conservation practices in its manufacturing processes.

THE PACK plans to leverage its B Corp status to lead on environmental and social issues. "We are constantly analyzing our supply chain to see where we can make positive changes to minimize our impact on the planet," says co-founder Damien Clarkson.

Customer relationship benefits

The San Francisco-based manufacturer of pet beds and toys P.L.A.Y. has held B Corp certification since 2016. This has helped the company in both acquiring new customers and retaining existing ones. According to co-founder Deborah Feng, the certification "solidifies" its standing in the pet industry as socially responsible. "Customers approach us at trade shows, recognizing the significance of this recognition, and it becomes an engaging conversation starter," she explains to PETS International.

Compliance with B Corp standards also prompted the company to complete a domestic warehouse move, enhancing the efficiency and reliability of its order fulfillment process. At the same time, it has pushed the manufacturer to expand and refine its distribution channels for B2B customers.

Dutch pet food manufacturer Yarra Organic Pet Food became B Corp certified in 2019. The status makes it a more trustworthy brand, giving reassurance to consumers and business contacts alike. "This certification is proof that we are on the right track, and also helps us to continue our journey to do better every day," says a company spokesperson. According to Yarra, sustainability has been in its DNA since it started. "We are on a never-ending journey to improve." ♦

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The pet supplement market: trends and expectations



Mirroring similar developments in human health, supplements for pets are moving towards achieving wellness and longevity rather than combating specific ailments.



Muskaan Gupta
Associate News Editor
GlobalPETS

While pet parents used to primarily seek out pet supplements to address conditions such as joint pain, anxiety or coat and skin health issues such as dryness and itching, there is an increasing market trend of placing pet supplements skewed towards preventive care in the wider context of greater wellbeing and functionality.

Probiotics and postbiotics

A study from pet nutrition company ADM has been trying to uncover the benefits of gut microbiome supplements for pets and their potential applications across immune function and digestive, metabolic, oral, skin and behavioral health.

Nutramax and ADM's probiotic supplement brand, ADM Protexin, was pushed internationally to European and a number of Asia-Pacific (APAC) markets in 2023 after recognition of a global demand for science-based probiotic formulas.

One of the reasons behind the popularization of these products in the market are the benefits of these supplements in humans. Korean human probiotic company Duolac recently launched a lactic acid bacteria supplement for pets. Health supplement manufacturer Ildong Foodis has expanded its supplement portfolio to include a combined pre- and probiotic for pets and British start-up Tuggs launched a mealworm treat with added probiotics.

Weight management

Aimia Pet Health, a research partner with pet health and wellness company Better Choice, has signed a memorandum of understanding (MoU) with Canadian clinical research company KGK Science to develop a supplement for pets using GLP1, an ingredient targeted at preventing obesity and therefore ailments associated with overweight pets. The output of the research is expected to be integrated into Halo, Better Choice's supplement brand.

Anti-aging

Insiders agree that there is also an uptick in interest for pet products in the areas of immunity and anti-aging.

[▶ SEE NEXT PAGE](#)



A good example is California-based dietary supplement and food ingredient company ChromaDex's pet supplements containing niagen, under the brand name Tru Niagen. Through a partnership with Zesty Paws to move into the pet supplement category, the company launched supplements for "healthy aging" last year.

Commonly used in human anti-aging products, niagen is an alternative form of vitamin B3, which fosters production of the NAD+ coenzyme that aids cellular processes like mitochondrial function, cellular energy production and DNA repair.

Anti-inflammatory and anti-allergen

Skin and coat issues are common in pets and supplements are rising in popularity alongside more traditional dermatological shampoos. Neil Pullar, Managing Director of UK pet supplement company PetExx, notes that those containing ingredients such as apple cider vinegar, bromelain and quercetin are becoming more popular among pet parents.

Substances such as bromelain and quercetin target inflammation and promote organ health, aiming to prevent itching, dry skin and inflammation-related issues, as well as allergies. Additionally, all-round wellness ingredients like green lipped mussels, pumpkin powder and turmeric are increasingly popular.

Quality concerns

An increase in demand for these supplements has driven a closer look at production. Experts are drawing attention towards a factor that will influence the supplement industry in the near future: the use of unregulated ingredient supply from China.

"Far too many brands use cheap ingredients from countries like China where heavy metal contamination is prevalent," admits Seth Kaufman, co-founder and Partner at BSM Partners, a veterinary and nutritional advisory firm. Yet, some manufacturers continue to opt for them as a low-cost solution.

Many of these pipelines are untraceable to the Chinese supplier as products are often exported under labels such as electronics or other supplies. Kaufman points towards a rise in product recalls and food safety issues that are a feature of the present market. The rapid category growth, especially in markets such as the US, is likely to prompt stricter regulation. "No one likes more regulation, but we believe that pet supplements need more to ensure that products meet the promises that pet parents rightly expect," he concludes.

What's next?

Kaufman forecasts that the next generation of pet supplements may follow similar trends as human products with a focus on anti-aging, brain health and immunity.

In terms of long-drawn trends in the making, Pullar from PetExx concludes that constant innovations in the "format of delivery" of supplements, for instance in the shape of chews or treats rather than capsules and tablets, will further develop in the near future as palatability drives consumer purchases.

Pullar also points out that the future of the category lies in its affordability through shifts in the retail channel. By removing a veterinarian focus from dispensing supplements, consumers stand to make cost savings.

Skin and coat issues are common in pets and supplements are rising in popularity alongside more traditional dermatological shampoos.



The segment in a nutshell

According to Euromonitor International, the global pet dietary supplements industry experienced a yearly growth of 7% in the past 5 years and was estimated to represent \$2.1 billion (€1.92B) in 2023.

While North America held its position for being the highest retail value market (\$834M/€762M), Asia Pacific (\$637M/€582M) overtook Western Europe (\$510M/€466M) to become one of the fastest growing regions last year.

A survey from MarketPlace concluded that 33% of pet parents in the US reported spending over an hour researching vitamins or minerals in the past year. The same research concluded that soft chews are the preferred product in the category, with more than 5 out of 10 pet owners purchasing them. ♦






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What's in store for vegan pet food in 2024?

The vegan pet food sector is witnessing a host of new brands and innovations. So what's driving this trend? Is there a case for flexitarian pets? And how can manufacturers win against conventional meat brands?



Anay Mridul
Contributor
PETS International

The transition to more sustainable food systems is intensifying the focus on alternative proteins and, as pets become more humanized, their diets are increasingly being aligned with those of their owners. Besides providing an overview of the latest brands and innovations in vegan pet food, we asked several industry experts for their views on the current – and future – state of this market segment.

New players and opportunities

Around the world, the plant-based food sector for pets is diversifying thanks to a flurry of brand collaborations and product launches. In the UK alone, Omni launched a vegan wet dog food product, THE PACK introduced

Europe's first vegan oven-baked kibble and Hownd unveiled wellness treats for dogs. Meanwhile, British vegan brand Deliciously Ella collaborated with Belgian giant Edgard & Cooper on an extruded dried plant-based pet food.

In the US, Petaluma introduced a dedicated vegan product for senior dogs and Wild Earth debuted a new core kibble collection at a trade event. In Canada, CULT Food Science (owner of the Noochies brand) released freeze-dried vegan cat treats made from a proprietary nutritional yeast ingredient.

"The bigger companies see this space as one that offers opportunities beyond the niche."

“Currently, none of the big supermarkets in the UK stock a full range of vegan [pet] products.”

This trend looks set to continue. Damien Clarkson, co-founder of THE PACK, says some of the sector’s largest private label manufacturers “have been sending out emails promoting their capability to produce a range of vegan products”. Referring to the Edgard & Cooper launch, he adds: “This is a sign that the bigger companies see this space as one that offers opportunities beyond the niche and are spending big in order to open up this market.”

Plant-based SKUs

Noochies founder Joshua Errett concurs. In fact, he predicts that every large and medium-sized pet food brand in the US will have a plant-based SKU within five years. “If the larger players can’t gain market share with their own plant-based offerings, we will start to see some acquisitions in that space,” he adds. For example, Lily’s Kitchen, which was acquired by Nestlé’s Purina PetCare in 2020, has been expanding its vegan dog food range lately.

Errett names brands like Wild Earth, Bramble, Bright Planet, Petaluma and Vivus as standouts in this category. When asked which brands he finds exciting, Clarkson mentions Wild Earth, Hownd, VegDog and Project Blu.

Trends and barriers

But is there such a thing as too many vegan pet food products? “I get asked a lot about oversaturation,” reveals Errett. “It’s a valid point. It’s one thing to do the noble work of taking animal products out of pet food, but unfortunately that’s not always enough. The other part of the equation is you have to make it different from any other brand. You can do that through marketing, but I think a better way to differentiate is in the value you can offer customers.”

One trend Errett has noticed in recent times is the ‘obsession’ with ultra-processed foods (UPFs). “It’s currently the talking point of the meat industry and I’m anticipating it will come to pet foods: the idea that a meat-free food is equivalent to an ultra-processed food,” he says.

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It will be key for plant-based pet food makers to overcome this perception barrier. Clarkson describes it as a cultural hurdle that falls into the category of “culture wars material”. The co-founder of THE PACK regards major retailers as another significant obstacle. “Putting plant-based products on the shelves is definitely an opportunity to work towards hitting net-zero goals and offer pet parents something interesting,” he comments. “But currently, none of the big supermarkets in the UK stock a full range of vegan [pet] products. Hopefully, this will change in 2024.”

Legislative support is essential, he adds. In the UK, the British Veterinary Association’s position on vegan pet food is under review. Clarkson feels a revised position is imminent, which will “add more credibility to this fast-growing part of the industry”.

The rise of the ‘flexi-dogian’

THE PACK proposed the idea of ‘flexi-dogians’ back in 2021. “We expect to see a big rise of flexi-dogians in the next few years, and believe 50% of all dogs in the UK will be flexi-dogian by 2030,” says Judy Nadel, the company’s other co-founder.

Flexitarians are the most important demographic for alternative-protein brands and are seen as holding the key to the transition towards sustainable diets. “Our belief is that more variety is good in a dog’s diet,” explains Clarkson. “It suits us in the pet food industry if dogs just eat one brand of food all the time. However, the reality is that our dogs should have several different foods on regular rotation. The key, really, is consistency.”

So, in view of the increasing humanization of pets, has the rise of flexitarianism among pet parents influenced their furry friends’ diets? Clarkson believes so. “We have moved past the idea of [dogs] just eating whatever is left over from the human food chain. There is a chronic health crisis in the dog population and all good dog owners want to do better by their dogs.”

“There is a chronic health crisis in the dog population and all good owners want to do better by their dogs.”



While there’s certainly an argument for flexitarianism as a way to reduce meat consumption among humans, does this also hold true for pets? It’s a tough question, according to Errett: “On the one hand, I unequivocally support eating fewer animals. On the other, I don’t believe flexitarian diets meet the urgency of our current environmental crisis. And I have yet to see a flexitarian product be successful in the marketplace.” It looks like it’s down to brands like Australia’s Planet A – which launched a hybrid canine food with ‘alt-meat’, vegetable and insect protein in November – to prove otherwise.

What will 2024 bring?

Clarkson foresees that more big retailers will become bolder on plant-based products, just as large manufacturers are aiming to get a slice of the pie. Additionally, increasing awareness and scientific research about the health benefits will reach mainstream media.

Errett believes we will see more collaboration within the segment in 2024, as “it’s the only way to win against conventional meat brands”. He adds that while the pet industry has “always been acquisition-heavy”, alt-protein companies have not played such a large part in M&A activity, but that this might soon start to change.

Lastly, in the broader protein diversification spectrum, Errett predicts that 2024 will be the year cultivated meat reaches the market. That sector has already seen lots of movement over the past year, with Czech start-up Bene Meat registering in the EU as a feed business operator and CULT Food Science having unveiled Marina Cat, a cell-cultured meat joint-venture earmarked for launch later this year. ♦



Fruit and veg in pet food: formulations, claims and safe use

Plant ingredients are routinely added to pet foods, but formulations and amounts can vary greatly – as can potential benefits.



Alexandra Wesker
Nutritionist and Formulator
Pet Food

Plant-derived starches, proteins and fibers are used in the majority of commercially produced pet food. The addition of fruit and vegetables impacts on the nutritional value of a product and has implications for labeling declarations and claims.

Nutritional benefits and drawbacks

Starch from wheat, maize or potatoes allows for sufficient expansion in extrusion in dry pet food. In wet food, plant-based gelling agents or label-friendly rice starch create the structure and consistency of chunks, jelly and gravy. These elements may be formulated and added to products in multiple ways, from powdered additions to fiber bundles.

Plant material varies in nutritional value, but plants can easily increase protein content without adding as much fat or calcium as meat sources do. By using plant protein, formulators can include other ingredients (e.g. omega 3 fatty acids) at levels that either allow a

content claim or a functional claim, while remaining within formulation constraints.

Plants naturally contain fiber at far higher levels than meat, but not all fibers are alike. Some are fermentable by gut microbes and the metabolites are associated with good health. Other fibers do not have much nutritional impact and mainly add bulk to the stool. A third category binds nutrients in the feed and therefore reduces the nutrients animals can derive from their feed. These types of fiber are in the category of anti-nutritional factors (ANFs) and are used at lower levels.

Plant materials frequently used in low quantities include yucca, inulin and antioxidants. The yucca plant contains saponins, which reduce stool odor by binding particular components in the digesta. Inulin, derived from chicory, is a prebiotic fiber that gut microbes can convert into beneficial compounds such as butyric acid. This results in an environment in which these beneficial microbes can thrive. Antioxidants, such as from blueberries and citrus fruits, have a physiological effect, protecting cells and DNA from oxidative damage.



Functional claims

Claims can be made about compounds with proven functionality on growth, development or normal functions of the body in the target pet species. Before these claims are made, a dossier based on scientific research is required to substantiate these assertions. The material used in the pet food must provide the functional substances described and is a key consideration in choosing raw materials and suppliers.

For content claims, it is worth considering the rehydration factor as stipulated by the European Pet Food Industry Federation (FEDIAF). Its example cites dehydrated carrot powder in a pet food recipe at a low inclusion. Calculating the equivalent amount of fresh carrot by using the moisture content may allow for a content claim such as 'with carrot'. The method is described in the code of good labeling practice and could be a reason to formulate with fewer vegetable powders at slightly higher quantities.

Authorized and safe use

When considering vegetables and fruit in food formulation, the first step is to check safety for the pet. We cannot assume that an ingredient is safe for dogs or cats if it is safe for humans or other animals. For example, compounds in grapes, cocoa and garlic are toxic to both dogs and cats, but generally safe for humans.

The next step is to check authorized use of the ingredient. Regulation 68/2013 lists the feed materials authorized for use in feed for pets and food-producing animals within the EU. Since leaving the EU, the UK has developed the GB Register of Feed Materials based on the EU legislation. Separately, the EU Feed Materials Register is a list of feed materials not authorized for use in animal feed, but which businesses wish to get added. Irrespective of being authorized for general use in animal feed, safety for the pet must be ascertained.

Some plant materials have been purified or extracted for a specific purpose and are classed as feed additives, such as extracts of citrus and boswellia. The feed additive listing stipulates the target animal it is approved for, inclusion levels and other provisions. ♦



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Plant ingredients in dog food – what does recent research say?

The role and potential benefits of plant-derived constituents to canine diets are hotly debated topics. Here, we look at what the latest science can tell us.



Jelena Šuran
PhD
Veterinary Sciences

The views of dog owners about plant-based pet diets are often highly polarized, with some strongly in favor – often reflecting their own dietary preferences – while others retain a marked preference for meat-based diets. Using current evidence to understand the possible advantages of plant-based ingredients should provide vital information for all sides of this discussion.

The plus sides of plants

Plant dietary ingredients, known as phytonutrients, encompass dietary fibers, polyphenols, and carotenoids. Although not essential for dogs, they can provide additional health benefits. Spinach, for instance, is a rich source of vitamins A, E and B1, as well as essential minerals like calcium and iron. Similarly, peas and carrots contribute valuable nutrients such as vitamin A and dietary fiber.

A growing body of research has highlighted the health benefits of phytonutrients for dogs. Recent canine studies have mirrored trends in human medicine by focusing on the gut microbiome and mental health.

Regulating the immune system and glucose levels

Green tea polyphenols were shown to have multiple benefits due to anti-inflammatory activity. A 2020 study by researchers at the College of Animal Science

and Technology, China, looked at 16 healthy beagle dogs fed a high-fat diet. Dogs with tea polyphenols incorporated into their diet had decreased mRNA expression of inflammatory markers, as well as liver fat content and degeneration.

Another 2020 study investigated rosemary and/or basil as food fortification in dogs. It was concluded that a rosemary and basil leaf powder combination demonstrated potential in regulating blood glucose levels, suggesting a potential role in managing diabetes.

As the research evolves, the role plant-based ingredients can play in dog diets becomes more apparent.

Plant ingredients and the microbiome

The effects of grape proanthocyanidins on gut microbiota and serotonin and cortisol levels were studied in healthy adult dogs at the University of Udine. Dogs given these proanthocyanidins had a higher abundance of various gut bacteria and increased serotonin levels, while cortisol didn't differ.

Another study, run by the Hill's Pet Nutrition team, examined a polyphenol-rich prebiotic bundle in healthy dogs and those with chronic gastroenteritis. This improved stool quality and modulated gastrointestinal inflammation and motility, highlighting benefits for canine gut health. Several previous studies have already



Recent canine studies have mirrored trends in human medicine by focusing on the gut microbiome and mental health.

shown that dietary interventions with this prebiotic fiber bundle have improved stool scores, shifted fecal microbial metabolism desirably, and increased fecal anti-inflammatory and antioxidant metabolites compared with control foods in dogs and cats.

Further research by Hill's Pet Nutrition in 2022 on a fiber bundle investigated the effect on canine fecal metabolites and microbiota. 48 healthy dogs were used in the study and fed a control diet for 28 days, followed by the treatment food phase of 31 days. The addition of the fiber bundle appeared to increase bioactive metabolites of improved antioxidant and anti-inflammatory potency for health benefits and again shifted gut bacterial metabolism toward desirable sugar breakdown.

Another significant study from Hill's Pet Nutrition, published in *Animals* in 2022, evaluated the impact of a diet supplemented with polyphenols, prebiotics and omega-3 fatty acids on dogs' intestinal microbiota and anxiety-related biomarkers. This research, involving 40 dogs, found that diets rich in fish oil and a polyphenol blend, with or without tomato pomace, decreased plasma levels of anxiety-associated metabolites and favorably altered gut bacteria. These findings suggest that plant-based supplements could beneficially impact mental health markers in dogs.

Evolving research

Evidence of the benefits of adding plant ingredients to canine diets is increasing as studies become larger and better designed. As the research evolves, the role plant-based ingredients can play in dog diets becomes more apparent. This aligns with an increasing understanding of the complex relationship between diet, health and behavior in dogs.

The potential of plant-based diets, tailored to individual dogs' needs, lies in their ability to enhance health and well-being through scientifically informed dietary choices. This approach aims to improve not only the physical health of dogs but also their overall quality of life. ♦



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US and Canada: a comparative data analysis

The pronounced impact of inflation has been felt across the US and Canada, with consumers grappling with higher prices for essential pet items.



Chris Storves
US Pet Retail Director
NielsenIQ

The North American pet industry landscape has seen substantial changes in the past year, reflecting consumer behavior across essential and non-essential pet items. In many ways, developments in pricing, sales and preferences are similar in the whole region, but there are some interesting differences too.

Higher prices in the pet department

As of October 2023, US consumers were paying 32% more for packaged goods than they were in 2019,

with people in Canada paying 22% more. Inflation is affecting all corners of the store, but the pet department in particular is seeing significantly higher prices. For example, there was a 6% increase in average unit price in the US in October 2023 compared with October 2022, and a 5% increase in Canada.

Regional differences

In the US, retail pet sales were over \$31.4 billion (€28.7B) in value, +10% from a year earlier, and 5 billion in units, -3%. With spend increasing and consumption decreasing, average unit prices have also seen significant change, with the average in pet retail rising from \$5.46 to \$6.20, a 13.7% increase.

Sales value is increasing substantially while unit sales are flat or decreasing.

Looking at grocery, drug and mass retailers, the Western states had the highest average unit price in pet retail, at \$6.67. This region also had the highest average unit price increase at 15% – followed by the Midwest (\$6.50), South (\$6.37) and Northeast (\$4.98).

In Canada, sales in pet retail were \$2.5 billion (€2.3B) for over 377 million units. This is an 11% increase in value and a 1% drop in unit sales compared with a year before. As seen in the US, sales value is increasing substantially while unit sales are flat or decreasing. Average unit prices in Canada are no different either, increasing from \$6.03 to \$6.79, a 13% increase. Alberta is the region with the highest average unit price – at \$8.34 – followed by Manitoba-Saskatchewan (\$8.10), Ontario (\$6.66), the Maritimes (\$6.34), Quebec (\$6.33) and British Columbia (\$6.32).

Essential purchases

There has been a great deal of movement around products that are considered essential for pet owners – including dog and cat food, and cat litter – not only in terms of pricing but also in consumer preference.

In the US, cat consumables overall stayed flat in unit sales (+1%) but saw an increase in sales value (+13.8%). In dog consumables, units increased slightly (+4.7%) and sales value increased more significantly (+11.8%). Unit sales in wet food and dry food for both cats and dogs remained flat. Supply chain disruptions and rising prices certainly contributed to unit sale decreases for wet food, and dry food stayed flat as consumers resorted to larger unit sizes in order to get more value for money and decrease their number of shopping trips.

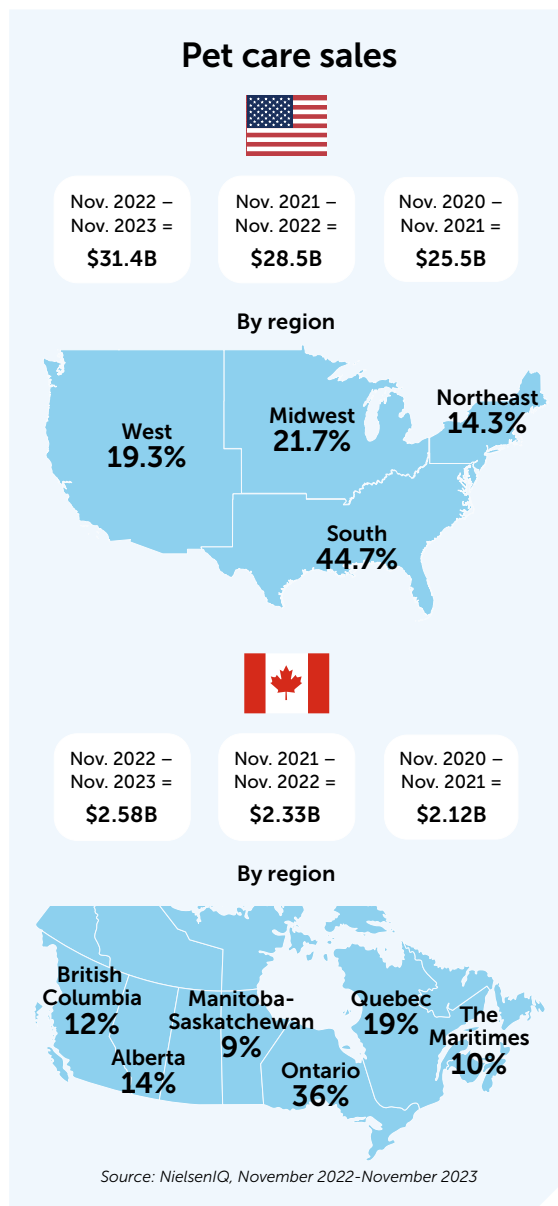
In Canada, dog food and cat food overall stayed flat in terms of unit sales (+/-0% and -1%) but sales value increased for both (+15%). Canned cat and dog food saw a very small decrease in unit sales (-1%) while dry food increased by 2.6%. In terms of average unit prices, there was an 18.5% increase in canned cat food and a 10.9% increase in dry cat food. Canned dog

food saw a 7% increase in average unit prices, with a 15% increase in dry dog food. The assumption is that Canadians have also resorted to purchasing larger package sizes in order to make their dollar go further.

Cutting back on non-essentials

Consumers have recently been cutting back on pet products they consider to be 'non-essential'. Interestingly, those categories all saw decreasing unit sales and increasing sales value.

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So it seems like consumers are re-evaluating what their pets really need and whether certain items are worth a hit to the wallet.

Pet beds (-18%) saw the biggest decrease in unit sales in the US, followed by pet toys (-10%) and grooming tools (-5%). In addition, unit sales decreased slightly in both cat and dog treat categories (-1% and -4% respectively).

In Canada, categories such as pet care (-2%) and accessories (-5%) saw unit sales decrease or stay flat compared with the same period last year. Additional non-essentials such as dog and cat treats also experienced a drop in unit sales, -1% and -2% respectively.

As a result of the consumer's current need to save money, many categories of pet products considered to be non-essential are most likely to remain flat or decrease in the near future.

Ways to bring back customers

Promotions are becoming a more popular vehicle to encourage customers back to bricks-and-mortar stores for their shopping.

In US grocery, drug and mass merchandise stores, over \$3 billion (€2.7B) of total pet retail was sold on promotion. That includes everything from price reductions, featured displays and 'buy one, get one free' deals to endcaps.

This is a 12% increase from the same period last year, and the highest promotion turnover the pet retail sector has seen in years.



Over 654 million unit sales were on promotion, which is a 15% increase from the previous period. Pet supplies represented the largest amount of unit sales on promotion (14%), followed by pet food (12%) and pet treatments (8%).

In Canada, \$617 million (€564M) of total spend in pet retail was on promotion, about 23%. This is also a 23% increase compared with last year. In terms of units, 30% of units were sold on promotion (117 million out of 379 million), a 2% increase from the previous period. Cat litter and dog food saw the greatest increase in promotions (representing 20.7% and 18.6% of units sold respectively).

Boom in private labels

There has been a boom in private labels in recent years, with many consumers buying these products as a core cost-saving strategy.

About 17% of pet care dollars and unit sales in the US come from private label products, with national brands combined at 83%. Pet supplies had the largest private label sales – 42% of total unit sales and 36% of sales value. Both cat and dog consumables saw an increase in unit sales, 17% and a 6% respectively, with the average unit price of private labels for each about \$2 lower.

Pricey private labels in Canada

In Canada, the situation is completely different to the US, with the average unit price of a private label pet product at \$10.77 while for national brands this is \$6.27. There was also a much larger increase in the average unit price of national brands than in private labels (+12% vs +8%). That said, private label cat and dog foods saw unit sales increase (+10% and +23%), even though they are both more expensive on average.

Finding the right balance

The state of consumerism in the pet retail sector reflects a delicate balance between evolving spending patterns, the impact of inflation and the strategic choices consumers make to ensure the well-being of their pets within budget constraints. ♦

The comparative data in this article refers to the year prior to 25 November 2023 and does not include any online sales.



Canadian pet food industry responds to local legislation and global market shifts

From the impact of federal regulations on plastic to adapting to changes at international level, the pet food sector in Canada demonstrates resilience in the face of its many challenges.



Jessica Suni
Contributor
PETS International

Within Canada, pet food manufacturers face the prospect of upcoming plastic-reducing initiatives, as well as a push to classify all plastic as toxic. In addition, the industry has been lining up with labeling legislation in the US and responding to changing trade relations with China.

Targeting plastic

Recent moves aimed at reducing the use of plastics have been spearheaded by Environment and Climate Change Canada (ECCC), the Canadian government's department for strategic action on environmental issues.

One of the proposed regulations involves mandating recycled content in plastic packaging. The food and pet food sectors were initially exempt from this rule, primarily due to the complexities involved

in recycling their specific packaging types and integrating recycled content.

Another facet of the proposed regulation is focusing on recyclability labels. Echoing initiatives in the European Union, the Canadian government intends for companies to label their products to indicate whether they are recyclable or non-recyclable.

Toxic classification

This plan, initially scheduled to enter into draft phase in late fall, now faces some headwinds. A recent court case has challenged the government's approach to classifying plastic packaging under the Canadian Environmental Protection Act (CEPA).

The PFAC believes that classifying all plastics as toxic would make it harder for the industry and more costly for consumers.







The government attempted to list plastics as a category on the CEPA's toxic substance list, a move that was contested in court. Opponents argued that not all plastics are inherently toxic and that a blanket categorization is an overreach.

The Pet Food Association of Canada (PFAC) believes that classifying all plastics as toxic would make it even harder for the industry and more costly for consumers.

Shortly after, the Canadian government tried to include food and pet food packaging by targeting the grocery retail sector, which is dominated by 4 to 5 major players in Canada. It listed several targets and objectives that the retail sector has to meet to be able to reduce plastic use or increase reusable plastics in some way.

"Both of those things got a lot of feedback and backlash from the industry because they weren't really based on reality. They are putting the cart before the horse, and they didn't give a whole lot of time for consultation with the industry either," admits Chris Nash, Executive Director at the PFAC.

Top export markets for Canadian pet food (in million \$):

	2021	2022	1/2023 to 11/2023
 United States	311.4	363.3	374.4
 China	170	86.1	35.1
 South Korea	27.2	26.8	19.2
 Spain	18.0	24.5	18.8
 Taiwan	18.9	20.0	22.1
 Netherlands	13.8	23.3	19.6

Source: Statistics Canada

US regulation

Any legislation in Canada's neighboring country of the US has a huge impact on Canadian pet food manufacturers. One example is the Model Regulations for Pet Food and Specialty Pet Food, which set new labeling standards for all producers and distributors of pet food in the US.

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The impact on Canadian companies is expected to be relevant as over half of the pet food sold in Canada originates from the US.

"PFAC is currently updating the Canadian pet food labeling and advertising guide, which was last updated in 2001, in line with the US changes in order to have a North American best practice for pet food labeling," points out Nash.

Canadian firms shipping to China via the US

Exports are another subject that the local pet food industry is following very closely. The export of Canadian pet food to China halved in just 2 years due to the countries' rocky relationship. At the end of 2021, exports to China were \$170 million (€156M). By the end of 2022, this figure had plummeted to \$86.1 million (€79.3M).

Now Ottawa and Beijing are speaking about business again. "For the first time in 2 years, we are seeing a little bit of progress in that our government and their government are talking again," says Nash.

The United States Department of Agriculture (USDA) claims the reason for the decline in Canadian pet food exports to China in 2022 was the avian influenza epidemic.

However, the Canadian pet food industry sees no scientific justification for this. It claims that despite facing similar avian influenza conditions, the US did not experience such trade restrictions and continued to receive new facility approvals in China.



"There's still a demand for Canadian pet food in China. Our brands are selling, just shipped from different countries."

The reality is that most Canadian exports were taken over by its southern neighbor. Most Canadian pet companies exporting to China moved their production to the US to continue shipping. "A big portion of the increase in the US exports to China is from Canadian companies, which is unfortunate because that doesn't really help our economy that much," admits Nash.

"There's still a demand for Canadian pet food in China. Our brands are selling, just shipped from different countries."

Looking to new markets

Curiously, despite the significant loss in exports to China between 2021 and 2022, the PFAC calculates that the overall loss for local pet food companies was limited to about \$38 million (€35M).

This was largely due to these companies successfully expanding into other global markets. While exports to Russia ceased completely in 2022 – they represented \$18.5 million (€17M) in 2021 – an increase in trade with Europe and Taiwan helped offset these losses. The industry's global export performance in 2022 remained comparable to 2021 levels. ♦



Christopher Rowland, CEO of Pet Supplies Plus

“We’re seeing 20% growth in our services business”



This franchise pet company is continuously working to further improve its competitiveness, including with new in-store offerings and upcoming projects to boost its online presence while preserving its local identity.



David Palacios
Head of Editorial
GlobalPETS

With over 700 stores, Pet Supplies Plus is the largest franchise pet retailer and the third largest bricks-and-mortar specialist retailer in the US. The company expects to increase its network by 50 new stores this year and to add up to 80 locations per year from 2025 onwards.

Christopher Rowland, who has been leading the company for the past 10 years, is a strong believer

in this particular business model for providing pet parents with the best possible local service. But how can the pet retailer safeguard – and grow – its business in the face of fierce competition in the American pet supplies sector?

How have you tackled the challenge of having multiple operators in the business?

When I came on board as CEO, I changed our strategy from being corporate focused to leading franchise growth. We’re only successful if our franchisees are successful, and the focus of my entire team is on making individual franchisees

[▶ SEE NEXT PAGE](#)

successful. That often means adjusting strategy, focusing on more local aspects or putting the franchisee's benefit ahead of the franchisor's. And fortunately, I've had very supportive investors who have allowed me to continue with that strategy.

Do you have a consistent offering across all your locations?

Most of the offering is the same because we provide operators with the purchases. We have distribution centers; we provide the marketing and all the support. What we ask them to bring to the table is customer service, and we expect their outreach to the local communities to become the face of the company. But we also give them tools to go ahead and bring in local products for their particular store. So about 98% of the mix will be consistent across the whole chain and the rest is where they really focus their time to make local products come to life.

Would you ever consider changing the business model?

No, because there are already corporate-run stores like PetSmart and Petco, and I think we do a better job than our competitors. Our franchise owners are often in their store every single day. They are planning to hand their store down to the next generation and their children are part of the organization. So, there's much higher motivation versus a corporate-run retailer.

Has inflation shifted preferences among your customers?

High pet adoption rates during COVID led to an exponential rise in our hard-goods market penetration

as there were a lot more first-time purchases. In 2023, we saw our mix go exactly back to our 30-year-old historical level of selling consumables, like pet groceries, as well as hard goods.

What are the best- and worst-performing categories?

After a spike during COVID, live animals have been down a little bit, with low single-digit year-on-year growth. First-purchase items like beds, kennels, crates and dog leashes also slightly declined in 2023 as the number of adoptions has fallen. However, we are seeing very strong performance in our services business, with a 20% year-on-year growth rate. Grooming and pet wash continue to be our highest-performing categories. Dog food and cat food also continue to perform exceptionally well, growing at a mid-single-digit rate year on year.

What do customer buying patterns look like?

We want to allow our customers to shop how they want, where they want and when they want. Currently, 1% of our customers subscribe to Auto Ship and we do not see this increasing beyond 10% in the future as most prefer to shop at local stores, often with their pets. An ideal situation would be a customer who buys pet food with us every month on Auto Ship and also comes in a few times a year to pick up hard items like bowls, dog beds or kennels. We would also like to have them coming back 6 to 8 times a year for grooming or pet wash.

The curbside pick-up option seems to be popular...

Curbside pick-ups account for around 5% of our business, but some locations achieve almost double this. In fact, this is significantly bigger than online, because a lot of customers are shopping for pets when they have an immediate need. This takes them away from the platforms of our competitors, who ship within 48 hours as opposed to our same-day offer.

And what about online?

We're investing heavily in the online space and we will launch a new platform to enhance our capabilities to meet our customers' needs with new partnerships. In the future, the tool will also include an app to add a lot more partner websites, tying in prescription foods or more third-party online services.



What are your expansion plans for this year?

We are currently present in 41 states and our expansion is driven by demand from the franchisees. We hope to see more units in the Pacific Northwest and the West Coast this year. In the short term, we're likely to see more incremental store growth where we're significantly under-penetrated, including Arizona and Nevada. We don't have plans to expand in Hawaii or Alaska, but we are aiming for coverage in 48 states in the next 5 years. This will include New Mexico and likely Oklahoma, and we are not certain about the Dakotas yet.

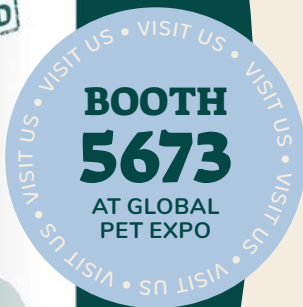
You acquired Wag N' Wash last year. How is that business going?

It is growing against competitive stores where we are under-penetrated or have no market presence. We doubled the number of stores from 12 to 24, as well as converting some existing stores from a competitor. We've signed a lot of new deals that will open as franchise stores over the next 3 years and we anticipate doubling stores again in the next 24 months.

"High pet adoption rates during COVID led to an exponential rise in our hard-goods market penetration."

How are you improving your distribution logistics?

We initially had our main distribution center in Seymour, Indiana. It provided 100% of the hard goods products, but that left us vulnerable if anything were to happen to that facility. Therefore, we recently opened a new distribution center in Orangeburg, South Carolina. It was really a dual strategy to reduce the travel time to stores along the Eastern Coast and to provide some redundancy in the case of a catastrophic event affecting Seymour. We should have it operating at full capacity by the end of this year. We anticipate opening our next facility to the west of the Mississippi in 3 to 5 years. It could be in Nevada or Utah, but it really will depend on the availability of good distribution space, the availability of labor and, ultimately, where our store growth ends up taking us. ♦



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Present and future of the equine industry

Despite it being a \$100-billion industry, there is still a lack of awareness about the equestrian business sector across Europe. So, how are things changing?



Stephanie Bateman
Contributor
PETS International

Some interesting dynamics are at play in the European equestrian sector. Although the number of equine animals – which currently stands at a total of nearly 7 million – is declining in some regions, the popularity of using horses for sporting purposes is increasing.

State of play in the UK

The British equestrian market alone is estimated at £5 billion (€5.75B/\$6.37B). The number of regular horse riders in the UK – those who ride at least once a month – has increased from 1.8 million to 1.82 million, and 3.2 million people ride at least once a year, according to the British Equestrian Trade Association (BETA).

It is believed that 66% of horse owners in the UK participate in hacking and 30% do dressage, while 20% keep their animal as a companion and 8% for in-hand work. Claire Williams, Executive Director of BETA, says that for the first time more people have been doing TREC: a sport combining elements of obstacle negotiating, mounted orienteering and trail riding intended to test the skills of horse and rider.

While the number of people participating in equestrian-related activities is increasing, there has actually been a slight decline (from 1.4% to 1.2%) in the number of UK households responsible for horses' daily care. The figure now stands at 331,000, according to BETA's latest national equestrian survey (2022-2023). "This has been due to accessibility and a changing market, with a lot of people now sharing horses," says Williams.

The bigger picture in Europe

The latest available data shows that the European equestrian industry in total has an annual economic impact of €100 billion (\$111B) and provides the equivalent of 400,000 full-time jobs. "However, there is still a lack of awareness about the equestrian business sector as a whole in public and politics, despite the healthy employment and revenue figures within Europe and the UK," admits Anna Lena Grytz, CEO of the European Equestrian Business Association (EEBA).

"A positive is that equestrianism offers a significant contribution to society when it comes to physical and mental health, the relationship with the environment, the development and education of children and young people, the benefits of equine-assisted therapy methods, cultural heritage and much more," she adds.



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From market boom to perfect storm

The commercial market in the UK and Europe has witnessed substantial growth in recent years, driven by a combination of cultural traditions, strong equestrian heritage and evolving consumer preferences. "During the COVID years, the trade had a bonanza and our members couldn't make things fast enough," comments Williams. "For the first time ever, there was a 6-month wait list for a new saddle and a months-long wait for new hats and body protectors.

"The result was that retailers over-ordered. Then, a year later, we faced the perfect storm of the supply chain getting back to normal, retailers having lots of stock and the cost-of-living crisis hitting. We think that is turning around now. One area that has stayed immune is safety. Hats and body protectors are still in demand."


Sustainability challenges

One particularly influential buzz phrase in the equestrian industry now is 'social license to operate' (SLO) – an activity that is approved or accepted by society. "It has made us all start thinking a lot more about what we do and how we do it," says BETA's Williams. "It's definitely impacting on the sport and making us become more aware of how our sport is perceived from the outside."

"Equestrianism offers a significant contribution to society when it comes to physical and mental health."

In this context, sustainability is a big challenge, especially due to the increasing pressure to achieve some net-zero carbon emissions targets. "The foams we use in safety products aren't currently recyclable and, with the new standards of body protectors coming into play this year, there are going to be a lot of body protectors going to landfill," she warns.

There is also the issue of plastic use in the industry, in particular by feed producers who need to package their products safely. However, paper is not always the answer as it usually needs to be coated, which makes it less sustainable, according to industry members. ◆



Raising standards in UK animal training and behavior services

Pet owners are increasingly seeking ways of assessing the competence of those who offer their services as an animal 'trainer' or 'behaviorist'.



David Montgomery
President, The Animal Behaviour and Training Council (ABTC)

In contrast to many professions, from plumbing to teaching, where rigorous training and assessment are required before becoming qualified to practice, those working with animals have few such stipulations. As anyone operating in this sector can currently call themselves a 'professional' with little or no formal training or assessment, how can we ensure the highest standards are met in the field of animal training and behavioral services?

Challenges faced by pet parents

When an animal guardian is looking for training support or behavioral therapy, it can be a minefield to find someone with the knowledge, understanding and practical skills to help them. There are many people who make claims regarding their expertise, yet being sure these individuals know what they are doing and the possible consequences of their methods can be another matter.

Few who share their lives with animals would argue against their pets having the best services available, and a word that is frequently used to describe the people delivering those services is 'professional'.

To be a professional, it stands to reason there should be a governing body with authority over that profession. However, in the UK, this currently does not exist for those delivering training and behavior services. Several groups claim that role, yet none have any authority, and some even promote unethical techniques in their approaches to behavior modification.

Defining 'profession' and 'professional'

A profession is any type of work that needs specialist training or a particular skill and is often respected because it involves a high level of education. If you were to ask anyone working in the animal training and behavior sector, aside from volunteers, the majority would likely say that this was their profession. That makes sense until you start looking closer at what it means to be a professional.

Firstly, defining exactly what is meant by special training, particular skills and a high level of education needs to be established. A governing body typically decides this, and those standards must be published so everyone knows what they should aim to achieve to become qualified. The fact is that most people doing this work have not met the high standards that the public should reasonably demand and often use outdated and questionable methods without understanding the potential negative results.

The need for standards and qualifications

25 years ago, there were 3 associations in the UK representing training and behavior practitioners who met specific membership criteria. Now, there are more than 30 such organizations and many have membership requirements. Some are quite comprehensive, while others require little more than a fee to join; and this creates confusion for anyone looking for help for their pets.

Despite this, these organizations likely represent less than a quarter of the estimated 12,000 people working within the UK's animal training and behavior sector. This means the overwhelming majority have no oversight and clients have nobody to complain to if things go wrong.

Bridging the gap

Aspiring to fulfill a role of arbiter of standards in the UK is the Animal Behaviour and Training Council (ABTC). It has established benchmarks covering both the required knowledge and the practical skills associated

Most people doing this work have not met the high standards that the public should reasonably demand.

with different jobs in the animal behavior and training sector and, crucially, it has also covered the assessment processes needed to become qualified. To ensure the quality of the system the ABTC has created, it also goes through its own assessment against the International Standard ISO17024.

As the sole UK charity exclusively focused on animal welfare in training and behavior therapy, the ABTC maintains a national register of qualified practitioners, provides information and collaborates with government and organizations to shape legislation and policies. Recognized by the veterinary sector and signposted by the government to stakeholders as a reliable source of quality information, the ABTC is working towards delivering the accountability the field so needs. ♦



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Major corporations are expanding their horizons and moving into the pet care space



The pet industry is appealing to more and more companies that want to grow their stake in an attractive and rapidly evolving sector.



Olivia Hooper
Contributor
PETS International

Despite a high number of existing players and recent downward trends in consumer spending, a wide range of human-focused businesses are being persuaded of the potential rewards of diversifying into the pet arena.

Subscription food

Berlin-headquartered direct-to-consumer (DTC) meal kit company HelloFresh recently expanded its portfolio to include home-delivered, subscription-based premium pet food with its new service, The Pets Table, which is currently available in the US.

"Because the pet food space is a large, growing industry, we believe we have the right capabilities to create a successful vertical," Laurent Guillemain, CEO of The Pets Table, tells PETS International.

The company caters to customers looking for as much convenience as possible and helps clients through "personalization, direct-to-door delivery and convenient subscriptions".

The Pets Table claims that 86% of US pet parents surveyed say that they prefer its products to their previous dog food.

Meat dog treats

Meat subscription delivery platform ButcherBox has also recently made headway in the pet sector with a line of chicken and beef-based dog treats.

"We chose to start with dog treats to understand the demand from our existing customers, 50% of whom are dog owners," says founder and CEO Mike Salguero. According to Salguero, the company has sold \$1 million (€915,500) worth of dog treats since launch.

The Massachusetts-based company is looking to expand its product offering of dog kibble and meal toppers this year and considering targeting cats.

The protein market

British biofuel producer Ensus announced its entrance into the high-protein pet food market with a £90 million (\$113.8M/€104.2M) investment in a new facility in north-east England.

"The move to diversify our product range beyond the cattle feeds that we have been producing at the plant for more than a decade was aimed at both increasing our business sustainability into the future and helping to address the UK's shortage of high-protein feeds in other animal food sectors," says a company spokesperson.

The project is still in its early stages and, when in operation, the facility will produce EnPro, a new high-protein product that will target the aquafeed and pet food markets in the UK and Europe.

Indian shrimp manufacturer Avanti Feeds recently diversified by expanding its portfolio into the pet care space through a joint venture with Thai pet food manufacturer Bluefalo.

The partnership between the companies, which is expected to be operational in 2 years, includes deals on manufacturing and trading capabilities not just for pet food but also for pet care and grooming products such as soaps, shampoos, medicines, creams and equipment.

Why now?

The pet industry's potential is clearly catching the attention of companies that operate in other sectors, especially those related to human food.

Danny Zhang, Principal of management consulting firm Oliver Wyman's retail and consumer goods practices, believes there is a reason why companies are only now entering the pet sector instead of at the height of the pandemic. "A lot of these businesses had their hands full with other issues during the pandemic and the supply chain disruptions that followed, so it wasn't the time to deviate from the core focus for most companies," he explains.

"Pet has also historically been considered a recession-resilient industry, which can help these companies accelerate their growth while also improving their cyclical exposure to economic downturns."

Bryan Jaffe, Managing Director and Chief Operating Officer of investment banking firm Cascadia, believes there is a convenience behind some of the recent expansions into the pet sector. "If I deliver your groceries, it is more likely that if I offer to deliver your pet food that you would welcome that opportunity. For convenience-based fulfillment solutions, this defrays cost and supports profitability," he says. ♦



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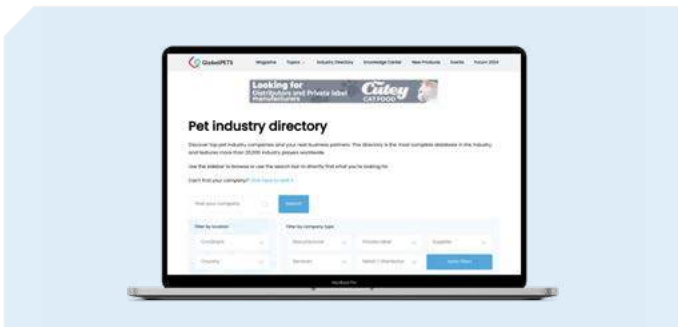
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Managing chronic enteropathies in pets: diet, fiber and the microbiome

With gastrointestinal symptoms common in pets, treatment of chronic enteropathies in cats and dogs is of ongoing interest – and there is a variety of nutritional strategies to lean on.



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Vomiting, diarrhea and weight loss are all common reasons for pets to visit a veterinarian. They may indicate a chronic enteropathy. As approximately 60% of dogs with chronic enteropathy are thought to respond to dietary treatment, this is considered the gold standard for symptom control, and should be used as the first line of therapy. Dietary management for these cases may include foods containing novel or hydrolyzed protein, changes to fiber content or practices that alter the pet's microbiome.

Chronic enteropathies: what are they?

These gastrointestinal conditions represent a group of symptoms in cats and dogs that manifest as diarrhea, vomiting, anorexia and/or weight loss over a period of more than 3 weeks, when all other diseases with similar symptoms have been excluded. The prevalence of this condition is estimated to be 2.1% to 2.9%. Chronic enteropathy syndrome can

be divided into diet-responsive, antibiotic-responsive and immunosuppressive-responsive according to the response to treatment.

Chronic intestinal disease in pets could be compared to irritable bowel disease (IBD) in humans, where there are many theories about the disease, but still many unknowns. A complex interplay between the immune system, the gut microbiome and dietary components is thought to lead to this chronic disease with such severe manifestations. However, it is fairly clear that food intolerances and allergies, combined with an imbalanced microbiome, are at the heart of the cause.

In human IBD, gluten is defined as the main allergen that triggers the first gastrointestinal symptoms. Allergy to gluten has also been noted in pets, with a breed-specific predisposition in Irish setters and border terriers, but the prevalence in the general pet population is low. Instead, animal proteins – especially poultry and beef – are considered the most common allergens for pets, but nowadays other common proteins such as fish, lamb or turkey should be avoided.

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The importance of a dietary trial

As this is a chronic disease requiring frequent visits to the veterinarian, owners are usually highly motivated to obtain treatment that will keep clinical signs in remission for as long as possible. In most cases, the first diagnostic and therapeutic step is a diet trial, as studies have shown that most dogs respond favorably over a long period of time to appropriate dietary intervention. Pets whose gastrointestinal symptoms stabilize within a few weeks can be considered to have a diet-responsive chronic enteropathy. If stabilization does not occur, treatment with immunosuppressants should be considered.

There are 2 dietary approaches that can be followed: a novel protein diet or a hydrolyzed protein diet.

A novel protein diet ideally contains a limited number of allergenic ingredients that are also new to that individual pet. The term 'novel' has a different meaning for each pet because its dietary history is different. In most cases, it is appropriate to exclude common protein sources such as poultry and beef, replacing them with rarer ingredients such as deer or rabbit.

Hydrolyzed pet foods use proteins that are broken down into small molecules that cannot be recognized by the immune system. Enzymatic hydrolysis during the manufacturing process breaks down the protein structure into polypeptide fragments, with the goal of minimizing immune stimulation compared with the intact protein. Subsequent ultrafiltration can further reduce antigenicity. While difficult to produce, these veterinary diets provide a highly digestible and allergen-free product.

The decision between a pet food diet containing novel proteins and a diet containing hydrolyzed proteins is often related to the palatability of the diet and the fat and fiber content that is appropriate for the pet patient. Dietary digestibility is considered critical as the integrity of the intestine would benefit from a highly digestible diet.

Dietary treatment of food allergies is often challenging due to the risks of cross-contamination of the food during the manufacturing process and a lack of compliance by the owner.

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Beyond the basics: fiber and the microbiome

Fiber content and the ratio of soluble to insoluble fiber also seem to play an important role. Chronic enteropathies primarily localized in the colon often benefit from higher fiber intake to stabilize the colon microbiome, while localizations in the small intestine often respond better to highly digestible, low-fiber diets.

In the colon, bacterial fermentation of dietary fiber promotes the growth and activity of the commensal intestinal microbiota, inhibits the excessive growth of pathogenic bacteria and provides a source of energy for colonocytes. A balanced microbiome ultimately has a positive effect on the immune system, vitamin B and K production, and the creation of an anti-inflammatory environment.

Probiotics

Probiotics and synbiotics (combinations of a prebiotic and a probiotic) are therapies that alter the gut microbiota and influence the host immune response. Probiotics are defined as live microorganisms that, when consumed in sufficient quantities, provide health benefits to the host. Proposed mechanisms of action of probiotics include enhancement of the gut immune response, production of antimicrobial substances and short-chain fatty acids, and inactivation of bacterial toxins.

The gastrointestinal microbiota is considered an important determinant of gut health, and there is increasing information on its role in dogs with chronic enteropathies. In light of these findings, treatments that modify the microbiota are of great interest, including antibiotics as well as prebiotics and multi-strain probiotics. Fecal microbiota transplantation – in which fecal contents from a healthy donor are administered to a pet with chronic enteropathies – is a newly recognized approach in chronic enteropathy patients, and has shown promising results to date. ♦

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