Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Canada

International Markets Bureau

MARKET ANALYSIS REPORT | MAY 2010

The United States
A Growing Pet Food Market

Source: Mintel

Source: Mintel

Growing Forward

Canada

EXECUTIVE SUMMARY

The United States (U.S.), which has a large pet food market and an impressive pet population, may be of interest to Canadian suppliers looking for new opportunities.

The U.S. pet food market is currently influenced by a number of factors, some of which are similar to those affecting human food trends. This report provides insights into the U.S. pet food market that may be of use to suppliers considering marketing their products in this growing marketplace.

Pet Food Recall of 2007
In 2007 a contaminated protein export from China was used in cat and dog food. The contaminated food was linked to kidney failure in pets who consumed it. Consequently, a large-scale recall was ordered that touched some of the key U.S. pet food manufacturers. This incident continues to affect the pet food market today. Pet owners remain sensitive to the quality of pet foods and their ingredients and, as a result, premium foods remain popular, even in a weak economy.

The Economy
Challenging economic times in the U.S. have led pet owners to become more value-conscious. Large increases in production costs also affected consumers as manufacturers were forced to raise unit prices in 2008. As the economy stabilizes, the market is expected to remain robust and should see positive growth in the medium to long term.

Premiumization
Premium pet food products remain popular, despite the current recession, especially as pets are humanized and treated as surrogate children by their owners. In correlation with the premium trend, manufacturers see opportunities in increased segmentation by targeting life-stages and specific breeds. New low-fat/low-calorie foods are also gaining popularity in response to pet obesity.

Global Drivers in Pet Food Products
On a global scale, quality and functionality are the most important features appealing to consumers. Researchers in the pet food industry predict functional claims will continue to perform well as consumers seek to provide pets with the optimum in nutritional benefits. Foods fortified with vitamins, minerals and other nutrients will continue to gain ground in the global marketplace.

As a result of the global economic downturn, natural products such as organics will continue to face challenges as consumers continue to be price conscious. Therefore, in order to compete in this sector, developing organic/all natural lines that tap into other popular trends, such as the use of functional ingredients, could be an opportunity for differentiation. Nonetheless, health and flavour will continue to be important to consumers, with price playing a stronger role than in the past. In spite of the recession, products free from additives/preservatives maintain high performance due to medium-level prices and a stable presence in the marketplace.

INSIDE THIS ISSUE

Pet Food Industry Trends	3–6
U.S. Market Synopsis	7–10
Pet Food Suppliers in the U.S.	11–14
Distribution Channels	14–15
Conclusion	15–16
Bibliography	16
Contact List	16
Annex—Table of Contents	17
Annex 1	18–20
Annex 2	21–26
Annex 3	27–32

TOP TRENDS

- **Naturalness**
  Products featuring the no additives/preservatives claim, as well as the all natural claim.
- **Allergens**
  Low/no/reduced allergen products.
- **Functionality**
  Healthy teeth/tartar prevention products.
- **Fortification**
  Products with vitamins/ minerals.

PET FOOD INDUSTRY TRENDS

Pet food has been affected by the same health and wellness trends that have influenced human food, including claims of health and naturalness, as well as innovations in functionality. At the same time, consumers' tendency to humanize pets, has driven premiumization in pet food and has given rise to new fortified and health -driven options for pets worldwide.

Cat and Dog Food – Key Global Drivers

According to Mintel, a provider of consumer, media and market research, the key global drivers in the pet food industry are the following:

Source: Mintel

Health and Naturalness

Product naturalness was a top trend in dog and cat food, featuring the removal of additives and preservatives. The growing interest in healthy eating for pets has been driven mainly by recent health scares and deaths linked to a massive pet food contamination scandal. Mintel states that the pet food recall will continue to drive consumer interest in natural formulations, with potential for companies to further diversify with ingredients. Brands with formulas free of artificial colors and flavours are positively perceived in the market.

Functionality

Functional foods have driven innovation in this industry in recent years, offering a variety of extra benefits for cats and dogs and becoming increasingly specialized.

Some of the benefits of today's functional dog and cat foods include:

- improving oral health.
- Improving the skin and coat by including ingredients such as linoleic acid and omega 3 and 6 fatty acids.
- addressing digestive or urinary problems (cats).
- strengthening the immune system, joints, muscles and bones, and the heart and cardiovascular system.

According to Mintel, consumers are increasingly demanding pet food products that address specific health conditions. Concern for the health of pets, highlighted by the success of functional launches, has seen consumers paying closer attention to the ingredients used in pet food products.

Premiumization

Consumers increasingly consider their pets to be members of the family and are willing to pay for higher-priced pet food. Premium dog and cat food remain popular in global markets, despite the current recession, especially as pets continue to be humanized and treated as surrogate children. Premium launches are performing well, often imitating human meals in terms of ingredients and packaging. Premiumization has also driven the most innovations in flavours, with ingredients, such as béchamel sauce in cat food, showing a strong influence from human dining. Other ingredients include veal pâté, chicken with carrots and spinach, cranberry and turkey, malt and yogurt, and meat and pumpkin purée with quinoa. The recession may be driving a reduction in consumer spending on premium products, although it seems unlikely that it will impact this market excessively.

Fortification

The importance of a balanced diet for pets has encouraged vitamin/mineral fortification, as well as other additions such as fiber, which not only aids digestion but can also help prevent fur balls in cats. Fortified products are linked very closely with functional claims, often offering similar benefits and including ingredients like omega fatty acids. Vitamins C and E and omega-3 were some of the most common additions found in dog food. Calcium is another key addition, vital for healthy teeth and bones and important as a fortification for cats due to their intolerance to cow's milk. Protein is readily available, as most products for dogs and cats are meat-based. Ingredients high in protein were appropriate to the dog food segment because of their inherent need for meat to help support the dog's growth and development. The importance of this ingredient for growth and development, has led pet food manufacturers to highlight the protein content of their products.

Cat and Dog Food – Key Global Drivers (cont'd)

Branding

Studies show that pet owners tend to be more loyal to particular brands in the pet food industry than in any other food industry, therefore branding is of significant importance in this market.

Added Features for Complete Nutrition

More particular to the cat food industry, some additional features are important for complete nutrition. This includes products that support the following:

Aging and allergies

New product launches, particularly in Asia, have addressed the specific nutritional requirements of senior cats. There is also an increasing number of products that respond to consumer concerns about feline allergies to ingredients like lactose. As a result, many cat food products are now free of ingredients like wheat, gluten, dairy, egg and soya.

Healthy Options

Obesity is a problem amongst pets generally and cats in particular. This is due to overfeeding and a lack of physical activity, especially for indoor cats. An increasing number of low-fat and low-calorie products, as well as weight-control foods, have been introduced to address these issues. Snacks and treats have also become healthier. Many of these now boast functional benefits that allow consumers to pamper their pets without worrying about potential negative side effects.

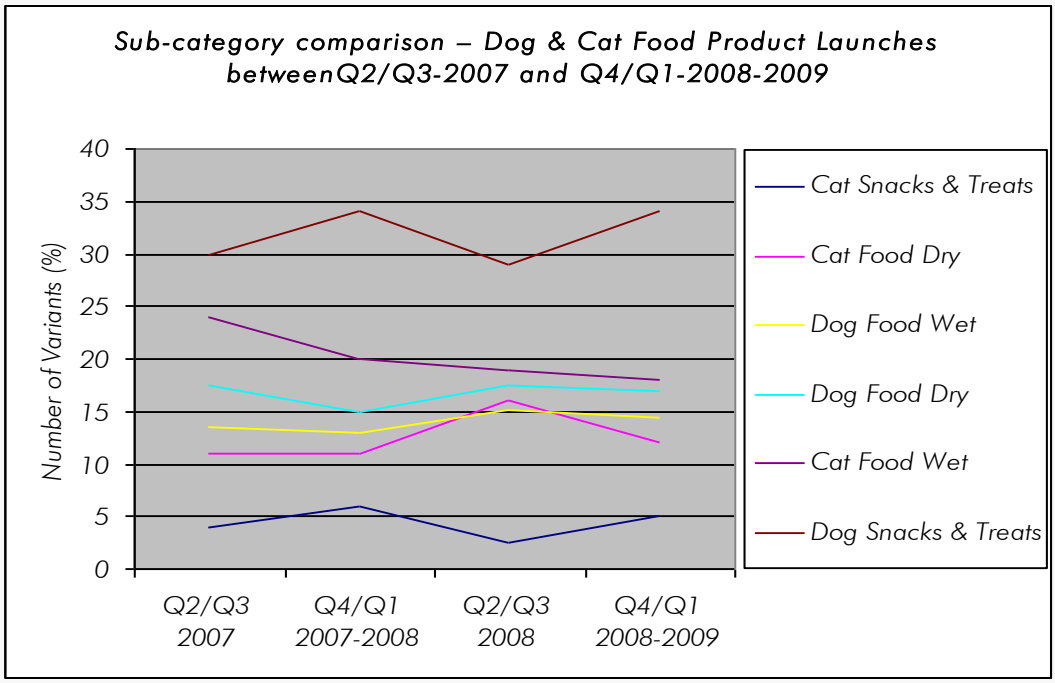
The Pet Food Market – Performance, Product Launches & Innovation

Performance

According to Mintel, dog food dominates the pet food industry with almost two thirds of the global pet food market, compared to just over one third for cat food.

The most active segments in the dog food sector were dog snacks and treats, which accounted for over half of all new dog product launches. This was followed by dry food (27%) and wet food (21%) (Mintel). Meanwhile, the wet segment dominates in the cat food sector, followed by dry food and, finally, snacks and treats, as shown in *Graph 1*.

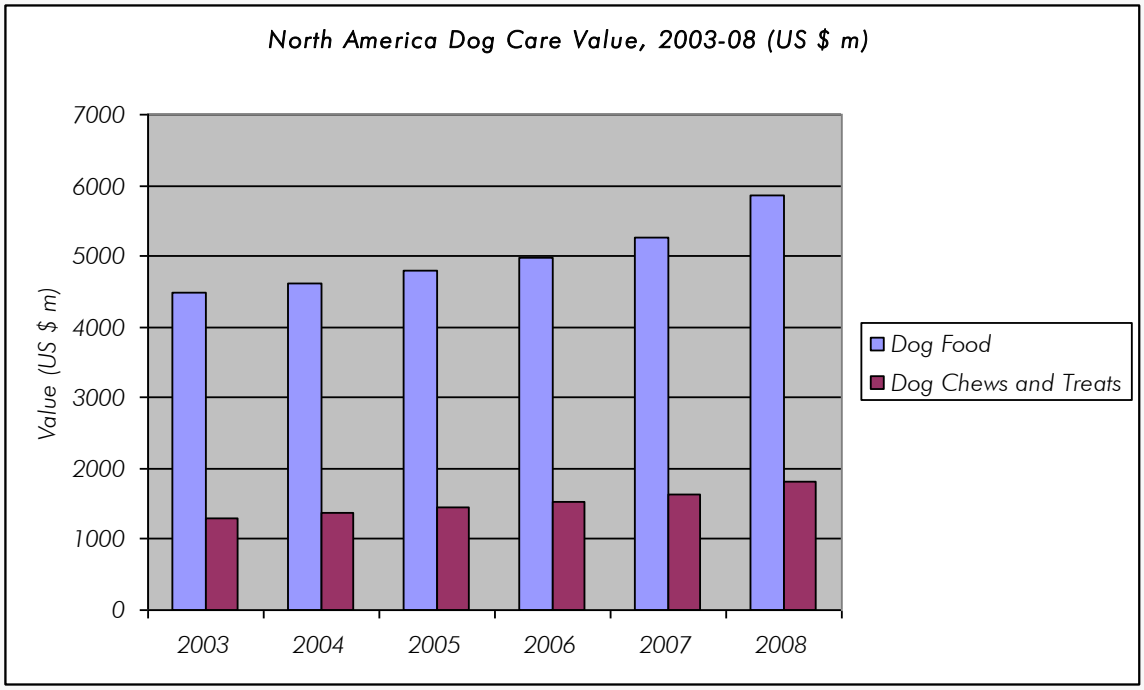
Graph 1



Source: *Mintel*

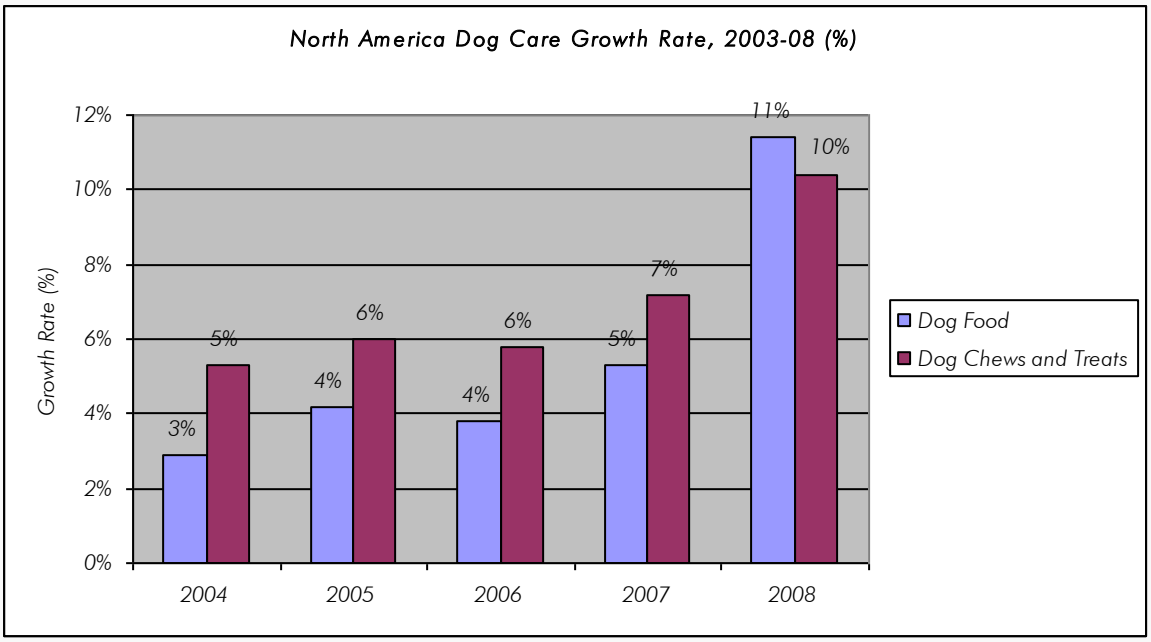
As several sources show, the North American dog care market, which consists of dog food, chews and treats, was valued at US $7.6 billion in 2008. This makes it the second largest market for dog care after Western Europe. The major shareholder in this market is dog food, as shown in *Graph 2* (Mintel). *Graph 3* shows the percentage of growth of the dog care market, year over year.

Graph 2



Source: *Mintel*

Graph 3



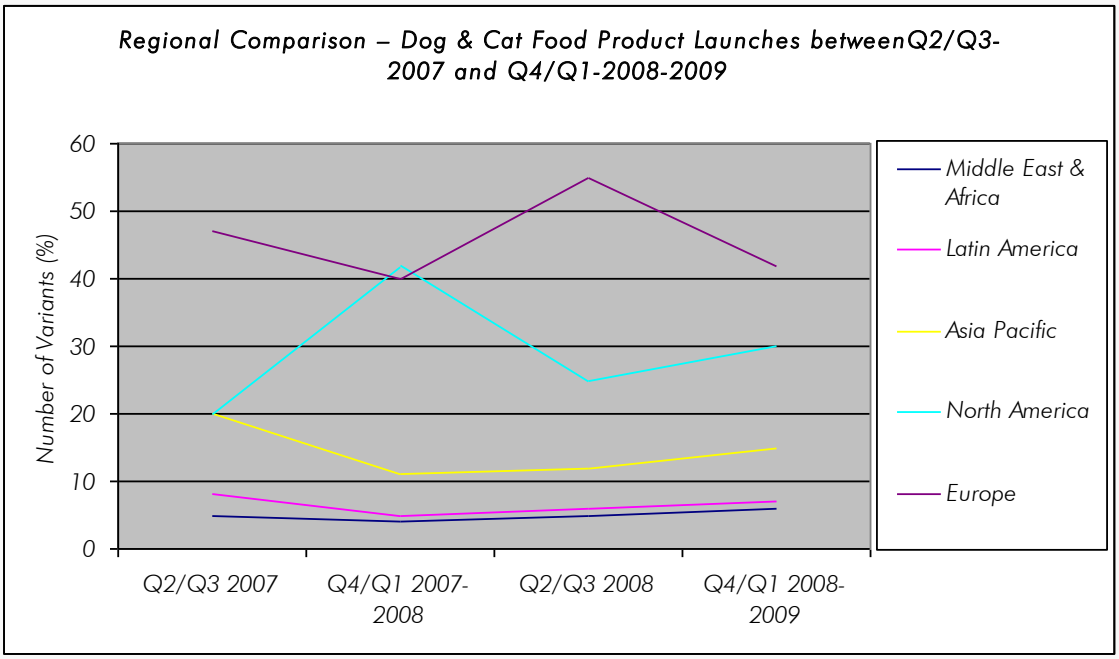
Source: Mintel

Product Launches and Innovation

Understanding trends in products launches in North America is important to understanding the needs of manufacturers in North American markets. Innovation in pet food has grown in recent years as a result of increased demand for quality pet food. This has led to numerous opportunities for ingredient suppliers, as market requirements for pet food broadens.

According to Mintel, North America and Europe dominate in dog and cat food product launches, with each accounting for 38% of total launches between October 2008 and March 2009 (Mintel). However, Europe saw its share decrease, while North America saw its share increase, as shown in *Graph 4*.

Graph 4



Source: *Mintel*

The North American market showed the strongest interest in all-natural claims for new product launches over the other regions, where the recession was a factor. This is due to the large number of all-natural and organic formulations in this market, most of which are in the dog food sector. Between October 2008 and March 2009, 78% of all lines featuring the all-natural claim were launched in North America, which also claimed 56% of the newly-launched organic lines (Mintel). Conversely, organic launches in the cat food sector fell, reflecting trends in the broader food and drink markets.

The 'no additives/preservatives' claim is seen as one of the most important features for pet food in the eyes of the consumer. North American manufacturers have capitalized on this trend; almost 40% of dog food products and 38% of cat food products launched in North America featured this claim, with more than a quarter also featuring the all-natural claim (Mintel).

As a result of higher consumer awareness of allergens in human food, low-allergen products have also taken a fair share of this market. Over one quarter of dog food products launched in North America featured the low/no/reduced allergen claims, most of which were low-allergen products (Mintel).

Health lines featuring various functionalities are also popular in the North American market. Healthy teeth/tartar prevention lines in dog foods and fortification with vitamins/minerals in both cat and dog food have been the most popular.

US MARKET SYNOPSIS

The sheer scale of the U.S. pet supply market is impressive, with pet dogs in the U.S. exceeding the human population of the United Kingdom. The U.S. currently has 88.3 million cats and 74.8 million dogs, which represents 29% more cats and dogs than those found in the entire European market (Planet Retail).

Source: Mintel

Data cited by Central Garden & Pet, a major pet supplies vendor operating in the ultra-premium category of dog and cat food and treats, asserts that the pet food market is experiencing an upscale thrust, featuring products that are natural, functional and address specific dietary needs of cats and dogs. The vendor also estimates that the current applicable market opportunity for high-end, ultra-premium dog and cat food and treats is approximately US $ 4 billion (Planet Retail).

Bob Vetere, President of the American Pet Products Association (APPA), has stated in recent press interviews that the pet care industry as a whole, is ideally placed for the current economic climate, as pet owners are not willing to sacrifice their pets' wellbeing (Planet Retail). This trend has been demonstrated by the industry's positive performance to this point.

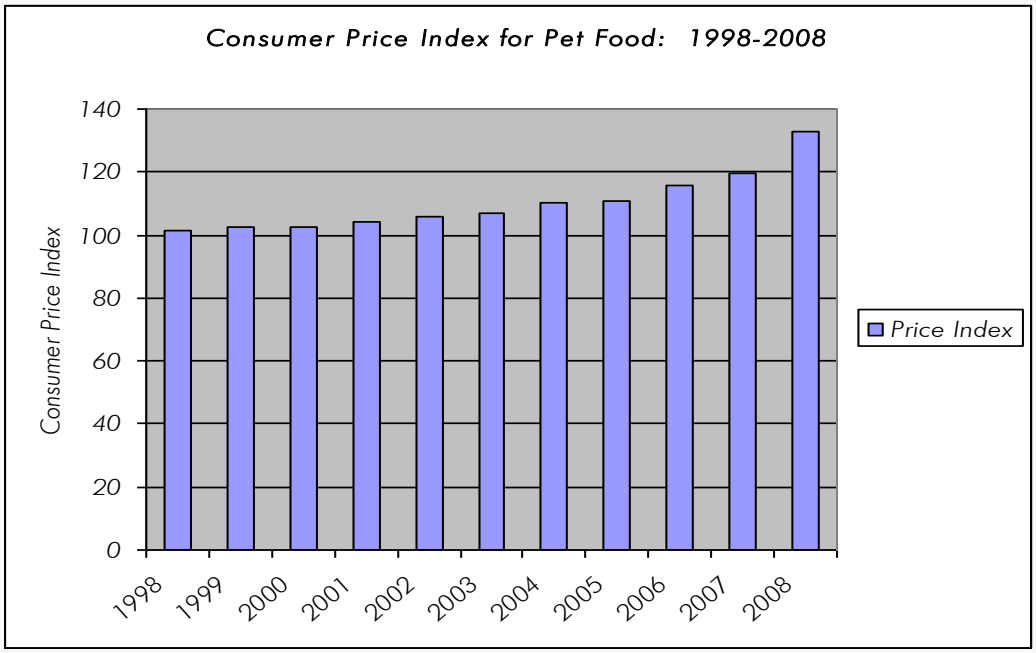
Growth in the pet food industry has primarily been driven by the humanization of pets; however, despite the value sales growth in 2009 due to price increases, the recession slowed the industry's growth process in the U.S., leading observers to expect dog and cat food volume sales to slightly decline at the end of 2009.

Consumer Price Index for Pet Food

As in other areas of the food and drink industry, pet food has not been isolated from significant price inflation and there are some signs that some consumers are concerned about the resulting price hikes. Large increases in the costs of commodities, ingredients, raw materials, fuel, energy and transportation had an adverse impact on pricing, as manufacturers were forced to raise their unit prices by 8% for cat food and more than 9% for dog food in 2008 (Euromonitor). As a result, although cat and dog food value sales remain resilient despite the recession, volume sales suffered. Some industry observers have suggested that some shoppers have started trading down from premium lines to regular brands or private labels. That said, there is still a general shift towards premium and functional products. The APPA predicts that in 2009, pet owners will spend a record breaking US$17.4 billion on pet food, the total being elevated by price increases.

As shown in *Graph 5*, provided by Packaged Facts, the consumer price index increased by an average of 11% in 2008.

Graph 5



Source: *Packaged Facts*

Consumer Price Index for Pet Food (cont'd)

Recently, although costs of raw materials, ingredients and energy dropped, unit prices have remained elevated. Many manufacturers misjudged the future performance of commodity prices, which led them to lock into long-term supply contracts. Consequently, while commodity prices dropped, many supply contracts at higher prices are still in effect.

Value Sales Versus Volume Sales

In 2008, value sales for dog food increased by 9% to reach US$11.3 billion, and saw cat food sales increase by 6%, to reach US$5.7 billion. However, the cat food sector saw a slight decrease in volume sales, while dog food volume sales remained stable.

Table 1 - Market Sizes - Value - Current Prices - USA

Volume and Value of Sales	Categories	2004	2005	2006	2007	2008	2009 Forecast
Retail Volume - Tonnes	Dog & cat food	7,853,325	8,012,275	8,205,969	8,095,776	8,067,202	7,984,947
Retail Value - US$ mn	Dog & cat food	$ 13,813	$ 14,415	$ 15,293	$ 15,783	$ 17,056	$ 17,826

Source: *Euromonitor International, 2009*

The decrease in cat food volume sales was attributable to an increase in the share of non-prepared food consumption for cats following the 2007 pet food recall, as well as a slight decline in the cat population in 2008. The 2007 pet food recall caused considerable distrust between pet owners and pet food manufacturers resulting in growing awareness among pet owners about the ingredients in commercial pet food.

Although cats' total consumption of non-prepared food is far less than that for dogs, the percentage consumed by cats increased in 2007 after year-on-year declines. The percentage of non-prepared food consumed by dogs declined slightly in 2008 over the previous year, after a large increase in 2007 following the pet food recall.

Pet Population in the United States

Demand for pet food depends partly on the pet population in a given market. Moreover, because many pet foods have converted to targeting particular breeds, pets, ages, etc., it is important for both suppliers and manufacturers to be aware of the pet population in the U.S.

The U.S. pet population has continued to see growth in the last decade, as Americans increasingly invite dogs, cats, reptiles, small mammals and fish into their homes. Cats and small dogs continued to see the strongest growth among non -aquatic pet in the U.S., with the small dog population growing by almost 27% between 2002 and 2007 (Euromonitor).

More recently, however, the recession has affected the U.S. dog and cat population. Euromonitor suggests that perhaps the most influential economic factor for the pet industry is the sharp rise in home repossessions that has occurred in the U.S. over the past couple of years, which has adversely affected the number of households owning a dog.

While the total dog population declined slightly in 2008, small dogs saw an increase. The total dog population is, however, projected to see stronger year-on-year growth rates in the medium term; while the trend towards small dogs was strong during much of the economic downturn, large dogs continue to comprise the majority of the dog population and will experience growth.

Meanwhile, the percentage of U.S. households owning a cat dropped in 2008 as a result of postponed cat purchases or adoptions, which have been deferred until economic times. Some potential owners have, instead, opted for smaller animals such as small mammals or reptiles. The economic recovery will allow for growth in cat ownership and the cat population. Cats, who require less maintenance when compared to dogs, will continue to outnumber the dog population. In addition, households with more than one cat are common and will continue to be so. This sector is a potential growth area for the future.

Although the pet population peaked in 2006, it is now predicted to decline in 2009. Despite predictions of slower growth as a result of the downturn, a 2009 survey conducted on behalf of insurer ING Direct indicated that 22% of Americans said that their pets were the thing they were least likely to sacrifice in order to make ends meet (Euromonitor). This compares with 17% of respondents in Canada, 15% in France and 12% in Italy (Euromonitor). Furthermore, Euromonitor has predicted growth in the pet population over the next few years, driven in part by strong demand from both the aging Baby Boomer generation and the growing number of single-person households in the U.S.

Future Prospects for Pet Food in the US

While tentative signs of economic stabilization began to emerge during the second half of 2009, global consumer confidence remains, for the most part, fragile. With unemployment continuing to rise, although at a slower pace than previously observed, and with elevated household debt and depressed disposable incomes, some consumers are likely to retain their price sensitivity for some time.

However, the 2007 pet food recall had a significant impact on many consumers in the U.S. market, which will lead them to pay close attention to quality, rather than price, as shopping habits return to those seen pre-recession.

Source: Mintel

While a number of dog food cookbooks and recipe websites emerged following the pet food recall, the convenience and consistent high quality of commercial dog food and treats prevented non-prepared dog food from gaining a stronger share, even during the downturn. Now, with consumers slowly regaining confidence, pet food manufacturers offering breed-specific and/or size-specific pet foods will have opportunities to gain additional sales.

With economic recovery expected in 2010, unit prices will likely level off from their recent aggressive increases, as pet food manufacturers find it less necessary to increase prices in order to remain profitable. After a volume decline in 2008, the economic recovery should bring an increase in both cat and dog food volume sales. This will be due to greater pet ownership, bolstered by increased financial resources, as well as greater consumer confidence in the safety and quality of pet food. More discounts and price promotions will help players to retain or gain additional sales share.

Value sales are not expected to grow as rapidly as in the past few years, rather, an increase of 5% is expected by the end of 2009 due to the increase in unit prices and continued new premium product introductions (Euromonitor).

Pet Food Performance by Type

The disparity between sales of dry and wet food is less pronounced for cat food than it is for dog food, where dry food is overwhelmingly preferred. According to Euromonitor, dry dog food comprised 66% of total dog food sales in 2008.

The pet food recall of 2007 affected sales of wet dog food; the segment has been struggling ever since to recapture sales among U.S. dog owners, most of whom already preferred dry dog food.

Unit prices are also substantially lower for dry dog food across all price brands, which makes wet dog food even less attractive in a challenging economic environment. Dry dog food will, therefore, continue to dominate dog food volume and value sales.

Because cats do not consume a lot of water, veterinarians and other cat food experts recommend that wet cat food be served at least once a day to promote hydration and prevent urinary track infections. Similarly to dog food, dry cat food is preferred over wet because of its lower cost and greater convenience. Dry cat food, for example, can be left out in a bowl without fear of spoiling. Dry food is also better for cats' teeth. As a result, cat owners often purchase both dry and wet food, serving dry food regularly and supplementing with wet food.

In 2008, dog treats and snacks experienced an 8% increase in value sales over the previous year, despite stagnant volume sales, primarily attributable to the large increase in unit prices (Euromonitor). Dog treats will also experience growth in volume and constant value sales over the medium term. Functional dog snacks and treats will become increasingly significant, as dog owners continue to focus on health concerns.

Although sales of cat snacks and treats are quite small compared to those of dogs, they showed the largest current value growth (15%) in 2008. In keeping with the humanization trend, sales of cat treats that provide health benefits and functional ingredients grew in 2008, which in turn creates potential opportunities for smaller niche players over the medium term. Cat snacks and treats are expected to see strong growth during this period.

From Economy to Premium

Rather than damaging the industry, the pet food recall of 2007 actually spurred premiumization in the pet food sector by encouraging American consumers to switch from economy and mid-price wet cat and dog food to premium and even super-premium dry food offerings. Pet owners are increasingly seeking specialized and higher quality food for their pets. In line with this trend, niche producers offering organic, natural and human-quality products have performed particularly well since the recall. More and more pet food manufacturers are shifting their product portfolios up-market to preserve margins, as the lower-priced sub-sector is increasingly cannibalized by private labels.

Source: Mintel

With growing overall health-consciousness among consumers in the U.S., the trend toward health-conscious purchases for their pets has proven lucrative for dog food manufacturers. Given this humanization trend, premium and especially super-premium dog food shows the strongest growth opportunities over the medium term. Functional dog food will continue to reflect trends seen in human food. Terms such as “prebiotic/probiotic,” omega-3” and “weight management” carry the most meaning for U.S. consumers. The willingness of American consumers to purchase premium dog food brands allowed for growth, despite the downturn in the economy. The humanization of pets is more pronounced in relation to dogs than cats, which explains why premium dog food saw higher growth levels than did cat food. Although prices rose significantly in dog food (9%) in 2008, standard premium dry dog food value sales grew by 16%. That same year, value sales for premium dry dog food and premium wet dog food grew by 15% and 4% respectively, in current value terms, over the previous year (Euromonitor). Dog food manufacturers should consider marketing and developing premium brands or extensions of existing brands that have special qualities, such as variants specific to age, breed or size, as well as products containing functional ingredients such as probiotics or omega-3.

Human food trends such as prebiotics, probiotics and omega-3 are expected to offer promising trends for cat food as well. Cat food that assists with urinary tract issues, weight management and hairball control will also continue to grow over the medium term. Premium and super-premium foods for cats currently offer age-specific, size-specific and functional products, a significantly smaller range of products than what is available for dogs. The continued humanization of cats will create greater opportunities for cat food manufacturers to develop premium and super-premium products.

Private label offerings see little improvement

While many pet owners traded up to premium brands, some pet owners were forced to trade down or even give up their pets altogether as a result of the recession. However, in contrast to previous recessions, the current downturn appears to have done little to boost the popularity of private label pet food and pet care products. In 2008, the pet food recall appeared to continue to weigh on private label pet food, as its market share declined for the second year in a row. As the pet food recall mainly affected wet cat food, private label wet cat food experienced stagnant sales, with consumers seeking the reassurance of brand names in this product area. Globally, private label's share of value sales in pet food and pet care peaked at 9.3% in 2004, falling to 9.2% in 2006 and 8.9% in 2008 (Euromonitor). However, a recent report on pet care retailing indicates that private label pet care products currently account for an estimated 12 to 13% of overall pet care sales, leading some players in the market to believe that the private label pet food category is growing in importance, in line with broader trends in private label development.

Private label benefited in the dog food sector as some budget-strapped consumers sought cheaper alternatives to their usual brands. After a fall in value sales and share due to the pet food recall of 2007, private label dog food increased its share slightly again in 2008. Recent additions to premium private label dog food, such as Wal-Mart’s Natural Life and Target’s LifeLong, helped spur sales of private label products, as pet owners sought to combine the benefits of premium dog food with costs savings.

Private Label Success Story

An exclusive report by Planet Retail focuses on Menu Foods, the leading supplier of private label pet care products worldwide, and outlines the supplier’s successful “quick-to-follow” strategy. Once a leading brand establishes a popular product format or formulation, Menu Foods offers a similar product to its customers. Menu’s manufacturing and product development capabilities often permit them to introduce comparable products for retail customers within months of the introduction of the new product by a branded manufacturer. The large supplier believes that sales to existing customers can be increased principally by adding products to its product lines and by increasing the penetration level of the products already supplied to those customers. The company expects this will be possible as retailers gradually reduce the number of secondary brands on their shelves and re-allocate the shelf space between the leading national brands and the retailer’s own private label.

PET FOOD SUPPLIERS IN THE US

Several multinational giants dominate the pet supplies/food markets. The largest suppliers are Mars and Nestle-Purina, with Colgate-Palmolive, Procter and Gamble and Del Monte rounding out the list of major global players. Other players of note include private label specialist Menu Foods, The Hartz Mountain Corporation and Central Garden & Pet. These suppliers are particularly key in North America.

According to Planet Retail's sources, the U.S. market is highly fragmented, encompassing over 2,000 manufacturers and consisting primarily of small companies with limited product lines. The majority of these manufacturers do not have a captive sales and logistics network and must rely on independent distributors to supply their products to pet specialty chains and independent retailers.

The following information, obtained from both Planet Retail and Euromonitor, lists some of the major manufacturers in the U.S. market today and provides a brief description of their recent activities:

Nestlé Purina PetCare Co

Through its Purina division, Nestlé is home to a wide variety of significant global brands in pet care. The business markets Purina brand pet foods in 75 countries around the world through a network of 11 production facilities.

Nestlé led the pet food sector in value share in the U.S. in 2008. Friskies was the leading cat food brand in 2008; Friskies, both in dry and wet forms, as well as its Kit 'N Kaboodle brand, experienced an increase in brand share in 2007. Both brands benefited from some consumers trading down from premium to mid-priced and economy brands. Moreover, an extension of the Friskies brand, Friskies Selects Indoor, was launched in 2008 to take Friskies into premium cat food. This new extension is made with real meat and is positioned to mirror the health-conscious lifestyles of many cat owners. Eight different varieties have been launched as part of this extension, including those positioned for weight management and hairball control purposes. Purina ONE and Purina Pro Plan brands extend across dry dog and cat foods. Beneful, a dog food brand under the umbrella, maintained its strong growth in standard premium dog food in 2008.

Mars Inc

Mars Inc is a global leader in the branded pet food segment thanks to its colossal mega-brands such as Whiskas and Pedigree, as well as Royal Canine. Mars is also a major player in the North American private label pet food arena, manufacturing Berkley and Jensen (BJ's Wholesale Club), ShopRite (Wakefern) and the massive Wal-Mart private label brands, Ol' Roy and Special Kitty.

Mars was implicated in 2008's salmonella-related recall on some of its dog food, including its best-selling brand Pedigree, and cat food brands being named in two smaller recalls. Mars' company value share in overall dog food fell in 2008.

Nutro Products Inc, which Mars acquired in 2007, was blamed by some pet owners for illnesses and even some deaths of dogs and cats. However, Nutro products were not part of any recall issued in 2008 and the company insists that its products are safe.

Colgate-Palmolive Co

ColPal is the leading player in high-end functional and premium pet foods sector. Net sales in its Hill's Pet Nutrition division were US$2.1 billion, up 15.5% from 2007. Net sales were driven by volume growth of 2.5%, net selling price increases of 10.5% and a positive foreign exchange impact of 2.5%. Organic sales grew 13% in 2008 (Planet Retail).

Brands under the Colgate-Palmolive umbrella are formulated for overall health and wellness and also offer therapeutic pet foods available through veterinarian clinics. The Hill's Science Diet brand continued to lead standard premium dog food in 2008. Hills Pet Nutrition is one of the largest employers of veterinarians worldwide.

Procter & Gamble Co

Proctor & Gamble competes in several markets around the globe in the premium pet care segment, with the Iams and Eukanuba brands. The vast majority of P&G's pet care business is in North America, where it has about 10% of market share (Planet Retail). In pet care, volume was down to low-single digits due to the negative impact of the voluntary wet pet food recall in the U.S. in March 2007. That recall contributed to about a 1% decline in P&G's U.S. market share (Planet Retail). Third party reports suggest that P&G lags behind Colgate in the pet care rankings, but is ahead of Del Monte (Planet Retail).

Iams Co saw its value share fall in 2008, although this drop was not as large as the one experienced in 2007. The pet food recall of 2007 was especially damaging for Iams, as the main subject of the recall, Menu Foods Inc, manufactured wet cat food for the company. Iams' dry cat food, while not part of the 2007 recall, still experienced a drop in sales due to the initial stigma associated with the brand following the recall. However, its value sales rebounded in 2008. The Iams brand continues to lead standard premium dog food.

Del Monte Foods Co

Del Monte reported to Planet Retail that its pet food ranges earn US $16 billion in sales annually. The supplier competes in both wet and dry dog food, as well as pet snacks, with private label products accounting for 12.9% of the total market share in the pet products market .

As stated by Del Monte, the market experienced an increase of approximately 5% from 2007 to 2008, with growth fuelled by steadily increasing pet ownership and higher spending, noting that over half of all American households own a dog or a cat (Planet Retail). The large supplier went on to state that most food retailers in the U.S. carry their products and that they have developed strong, long-term relationships with the majority of significant participants in the retail grocery trade. On a consolidated basis, sales to one customer, Wal-Mart, represented approximately 32% of their overall list sales (Planet Retail). Interestingly, Del Monte is one of a very few suppliers to happily confess to participating in the private label arena, as a producer, distributor and marketer of private label food and pet products.

In 2008, Del Monte Foods experienced a slight decrease in its value share of the dog food market. Brands under this umbrella are largely concentrated in mid-priced and economy dog food, for example, Kibbles 'n' Bits and Skippy. Skippy super premium dry dog food comprised only a small percentage of sales within this product category in 2008.

In dog treats and mixers, Del Monte remained the leading company in 2008, following its 2006 acquisition of the Milk-Bone brand from Kraft Foods Inc. However, Del Monte lost share in overall dog food in 2008 over the previous year. This occurred as gains in its Canine Carry Outs dog treats were offset by losses in brand share for its largest brands, Milk-Bone and Pup-Peroni. Meow Mix was the second leading dry cat food brand in 2008, in value terms.

Central Garden & Pet

Central Garden & Pet is one of the leading marketers and producers of premium pet supplies in the United States. According to Planet Retail, its pet products division operates the largest sales and logistics network in the industry, which strategically supports its brands.

In 2008, pet products accounted for US $897.8 million of its consolidated net sales (Planet Retail). Central Garden & Pet claims to have developed strong relationships with major and independent retailers through product innovation, premium brand names, broad product offerings, captive sales and logistics capabilities and a high level of customer service. The company is one of the largest pet supplies vendors to PetSmart, PETCO and Wal-Mart.

Menu Foods

Menu Foods, a Canada-based company, is one of the largest manufacturers of private label pet foods. However, the company recently experienced a decrease in sales as a result of the 2007 pet food recall.

Menu is a private label pet food manufacturer for 17 of the top 20 North American retailers, as well as leading pet specialty retailers in North America (Planet Retail). This supplier secured customers by developing comprehensive private label programs with products comparable to the offerings of leading national brands. Menu is also a contract manufacturer for many branded pet food companies. In light of Menu's low-cost, flexible manufacturing platform, the company is able to generate reasonable profit margins. Menu sees the continued expansion of its contract manufacturing business as a growth opportunity, as branded pet food manufacturers expand their product lines and look to contract manufacturing as an alternative to capital investment. Menu's sales are generally well-balanced by distribution channel in relation to the United States wet pet food market average, with opportunity for growth in the mass merchandiser channel. In 2004, Menu entered the dollar and discount segment of the market, another fast-growing part of North American retailing. As part of its annual results announcement, Menu stated that, in 2008, it experienced input cost increases and was forced to initiate price increases to private label customers. While margins were eroded between the cost increases and the effective dates of the price increases, Menu's ability to implement these price hikes represented a major accomplishment.

Menu is one of several pet supply companies that appears slightly less worried about the recession. Their belief is that demand for private label foods increases during a recession, much like it did during the recession of 1982.

Celebrity Pet Food Brand Launches

In early 2008, dog trainer Cesar Millan launched Dog Whisperer by Cesar Millan organic dry and wet dog food and organic dog treats. Also in 2008, celebrity and talk-show host Ellen DeGeneres became an owner of Halo Pet Food Company, a 20-year-old company producing all-natural pet food and pet care products. A line of Halo, Purely for Pets pet food and pet care products, was announced in conjunction with DeGeneres' joining of the company and she began to promote these products on the home shopping channel QVC in January 2009.

Meanwhile, television and food personality Rachael Ray launched her own line of dog food and treats called Nutrish in mid-2008. Nutrish products were developed by Ray and pet nutrition experts. They contain real meat and no fillers, artificial flavours or preservatives. These celebrity dog food brands brought added competition to the premium dog food market.

Supplier Performance Review

The following table lists each of the leading suppliers identified in this section, a sales estimate for 2009, as well as the brands under the parent umbrella.

Table 2: Worldwide: Major Pet Food Vendors, 2009

Vendor	Estimated Pet Care Sales (USD million)	Key Brands
Mars	15,000	Sheba, Cesar, Whiskas, Pedigree, Royal Canin
Nestle	11,541	Purina, Friskies, Fancy Feast, Alpo, Gourmet, Mon Petit, Felix, Dog Chow, Cat Chow, Pro Plan, Purina ONE, Beneful, Tidy Cats, Purina Veterinary Diets
Colgate Palmolive	2,148	Science Plan, Prescription Diet
Procter & Gamble	1,700	Iams, Eukanuba
Del Monte	1,432	MeowMix, Kibbles'nBits, 9Lives, Milk-Bone, Pup-Peroni, MeatyBone, Snausages, Pounce
Central Garden & Pet	898	Adams, All-Glass Aquarium, Altosid, Aqueon, BioSpot, Breeder's Choice, Coralife, Farnam, Four Paws, Interpet, Kaytee, Kent Marine, Nylabone, PetSelect, Pre Strike, Oceanic Systems, Super Pet, TFHTM, Zilla, Zodiac
Menu Foods	244	Private label
Source: Planet Retail Ltd - www.planetretail.net		

Supplier Performance Review (contd.)

Table 3 lists the same suppliers and other known players on the market, some of which were bought out by larger suppliers between 2000-2008. For example, Del Monte Foods acquired the Milk-Bone brand in 2006 from Kraft Foods Inc, as reflected in the table below.

Table 3 - Company Shares (by Global Brand Owner) - Retail Value RSP - % breakdown

	2000	2001	2002	2003	2004	2005	2006	2007	2008
USA - Dog and cat food - Company Market Share (%)									
Nestlé SA	14.1	32.4	30.4	30.4	30.7	30.5	30.1	31.3	32
Mars Inc	10.2	10	9.8	9.8	9.7	9.5	11.9	15.2	14.1
Colgate-Palmolive Co	9.4	9.1	9.8	10.7	10.9	10.9	11.3	11.6	11.7
Procter & Gamble Co, The	9.4	11.3	11.5	11.7	12.2	12.1	12.1	11.3	11.3
Del Monte Foods Co	-	-	7.6	7.3	7.1	6.6	10.2	9.9	9.6
Spectrum Brands Inc	-	-	-	-	-	0.6	0.7	0.6	0.5
Sunshine Mills Inc	0.6	0.6	0.5	0.5	0.4	0.3	0.3	0.3	0.3
Nutro Products Inc	2.8	3.2	3.5	3.4	3.1	3.1	3.1	-	-
S&M NuTec LLC	0	0	0.4	1.4	2.3	2.8	-	-	-
Meow Mix Co, The	-	-	2.3	2.3	2.3	2.7	-	-	-
Kraft Foods Inc	1.6	1.4	1.3	1.3	1.2	1.1	-	-	-
United Industries Corp	-	-	-	-	0.4	-	-	-	-
Dingo Brand LLC	0.1	0.1	0.1	0.2	-	-	-	-	-
Heinz Co, HJ	8.4	7.9	-	-	-	-	-	-	-
Royal Canin SA	0.2	0.2	-	-	-	-	-	-	-
Ralston Purina Co	19.4	-	-	-	-	-	-	-	-
Private Label	11.2	11.2	11.1	11.1	11	10.8	11.1	10.4	10
Others	12.7	12.5	11.5	9.8	8.7	9	9.3	9.4	10.6

Source: *Euromonitor International*

▶ DISTRIBUTION CHANNELS

The pet supplies industry is fragmented with numerous mass merchandisers, supermarkets, and independent and specialty retailers, which all account for the main points of entry into the market. This is especially the case for the pet food retail channel in the U.S., with over 15,000 independent pet supply stores and only two specialty retailers: PetSmart and PETCO (Planet Retail). Both retailers offer a broad product selection with competitive prices and a growing array of pet services. Meanwhile, independent pet stores typically have a more limited product selection and attempt to differentiate themselves by offering premiere brands and knowledgeable service.

Pet products are also a growing category in mass merchandising, discount and grocery outlets. Historically, these retailers carried only a limited assortment of products, primarily featuring pet food. Many vendors, however, have reported that these retailers are now devoting more shelf space to premium pet supplies to meet increased demands from consumers.

The market is currently dominated by Wal-Mart, with other discounters, supermarkets and drugstores accounting for the bulk of the remaining market. Key specialists on a global basis are PetSmart, PETCO, Fressnapf, Pets At Home and Pet Supermarket. Another key player is agricultural supplies specialist, Tractor Supply Co.

The following information, which outlines the key distribution channels for pet supplies globally, with an emphasis on the U.S., was provided by Planet Retail:

Mass retailers
Discounters, supercenters and hypermarkets, such as Wal-Mart, Target, Carrefour, Kmart and Wilkinson, feature significant ranges of pet care items as part of their broader, one-stop shopping experience. The traffic and loyalty stimulated by these ranges have allowed pet care departments to improve significantly in recent years. According to Planet Retail, Wal-Mart is forecast to lead the pet care category in sales by a considerable margin in 2014, by selling more than twice the amount of pet care products than its nearest rival, PetSmart.

Pet superstores
PetSmart, PETCO, Fressnapf and Pets At Home have been generating very impressive growth rates as a result of buoyant store-opening programs and the expansion of value-added services. Although these retailers are relatively small in comparison to operators such as Wal-Mart, their focus on pet care categories imply that they will remain hugely important customers for pet care vendors—particularly in premium and specialty lines. Planet Retail believes that two specialty retailers, PetSmart and PETCO, will account for two of the top five places in pet care retailing in 2014.

Source: *Planet Retail*

Pet catalogues & e-commerce
PetSmart and Pets at Home currently run e-commerce operations. There are also a number of specialist catalogue and e-commerce businesses that focus on pet care products.

Niche specialists
Niche specialists focus on one particular animal type.

Warehouse clubs/cash & carries
Operators such as Costco, Sam's Club, BJ's, Metro and Booker offer a fair selection of both branded and private label pet food ranges, focusing mainly on bulk packs or multipacks.

Grocery chains
Businesses such as Ahold, Safeway, Publix, Kroger, Tesco and Casino are significant pet food distribution channels. As the primary channel for general grocery needs, their importance as a point of entry into the market is pivotal, as the purchase of pet food is often done while grocery shopping. In general, pet supplies account for 3% of U.S. grocery sales (Planet Retail).

Drugstores
While not the intuitive choice for pet supplies, it is worth remembering that the drugstore/pharmacy channel is also important for pet food. Retailers such as Walgreens, CVS and Schlecker all offer basic ranges of pet foods as part of their broader grocery/household lines.

Agricultural supply stores
Especially important for equine requirements, agricultural supply stores like Tractor Supply, Countrywide Stores and Kesko Agro sell large volumes of general pet supplies as part of their offerings targeted to rural customers. For example, Tractor Supply's livestock and pet supplies account for 33% of their sales (Planet Retail).

CONCLUSION

The U.S. market is one of the most active markets for pet food worldwide, boasting numerous product launches in recent years and an impressive pet population. It also offers a large market in terms of both value and volume. Nonetheless, it is important to understand the trends and specific needs of consumers in this fragmented market in order to leverage potential opportunities for differentiation and penetration.

There are currently numerous opportunities for new, innovative, functional and natural products in the market. At the same time, there will be opportunities at the private label level, as consumers seek both premium products and costs-savings.

For smaller suppliers, it may be advantageous to choose to work with larger industry players, to benefit from their distribution networks and knowledge of the U.S. market.

To conclude, while the U.S. is a very competitive market, the pet food sector offers a variety of opportunities for suppliers, despite the recent recession.

BIBLIOGRAPHY

Datamonitor. (August 2009). “Dog Care Market - Regional level to 2013.” Pages 2, 61-74.

Euromonitor International. (July 2009). “Cat Food U.S..”

Euromonitor International. (October 2008). “Consumer Lifestyles - US.”

Euromonitor International. (July 2009). “Dog Food U.S..”

Euromonitor International. (July 2009). “Pet Food and Pet Care Products in the U.S.”

Mintel GNDP. (June 2009). “Cat Food.”

Mintel GNDP. (June 2009). “Dog Food.”

Mintel GNDP. “Pet Products.”

Packaged Facts. (April 2009). “Pet Food Market Outlook 2009-2010: The New Value Equation.” www.packagedfacts.com.

Planet Retail. (2009). “Pet Care Retailing 2009.”

CONTACT LIST

Mr. Douglas McCracken
Consulate General of Canada in Seattle
412 Plaza 600, Sixth and Stewart
Seattle, WA 98101-1286
Tel.: 206-443-0336 (x3356)
Fax: 206-443-9662
Email: doug.mccracken@international.gc.ca

Mr. Tom Quinn
Consulate General of Canada in Detroit
600 Renaissance Center, Suite 1100
Detroit, MI 48243-1798
Tel.: 313-446-7024
Fax: 313-567-2164
Email: tom.quinn@international.gc.ca

Ms. Mary Louise Goodie
Consulate General of Canada in Atlanta
1175 Peachtree Street N.W. 100
Colony Square, Suite 1700
Atlanta, GA 30361-6205
Tel.: 404-532-2020
Fax: 404-532-2050
Email: marylouise.goodie@international.gc.ca

ANNEXES—TABLE OF CONTENTS

ANNEX 1—New Product Introductions—Dog Food in North America

ANNEX 2—New Product introductions—Cat Food in North America

ANNEX 3—Market Indicators and Market Data in the United States

ANNEX 1

All information in this annex is from Mintel GNDP.

New Product Introductions: Dog Food in North America

In the U.S., Petsport USA released Chicken Apple Wedges under the Freebirds brand. Freebirds Chicken Apple Wedges are all natural chicken breast wrapped around an apple wedge and slow baked to maintain nutrition and flavour. The high in protein product is 97% fat free and it has been packed with vitamins and antioxidant from apples. This product is not only free from artificial preservatives, colours, and flavourings but it does not contain steroids, antibiotics, by-products, added hormones, wheat, melamine, fillers, and is produced without cage and cruelty.

In Canada, Nestlé Purina PetCare released Biscuits with Real Lamb for Small Dogs under the Purina Pro Plan brand. Purina Pro Plan Biscuits with Real Lamb for Small Dogs are ideal for puppies and small breed dogs. They have been fortified with nutrients and are said to support optimal growth and development. The product provides 100% complete and balanced nutrition with wholesome ingredients, oven baked to perfection. According to the company, its crunchy texture helps scrape away plaque and tartar. The biscuits are free from artificial colours, flavours and preservatives, and retail in a 26 oz. resealable pack.

Natural Dog Foods

No Additives or Preservatives

In the U.S., Dogswell released Adult Dogs Food under the Dogswell Shape Up brand. Dogswell Shape Up Adult Dogs Food is low in fat and calories, has antioxidant rich ingredients and contains L-carnitine to help naturally burn fat and maintain a healthy body condition. It features a premium chicken and oats recipe with whole grains, fresh chicken, vegetables and fruits. This product is enriched with vitamins and minerals and is free from added hormones, processed gluten, wheat, corn, artificial flavours, colors and preservatives. It is specially balanced in order to help maintain dog's healthy weight. It retails in 4 lb., 11 lb., and 22 lb. resealable packs and was on display at the Global Pet Expo in Orlando 2009.

Organic

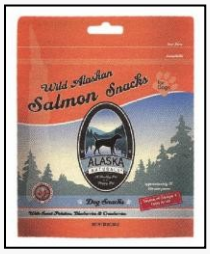
In the U.S., Wagathas released Super Biscuit for Dogs under the Wagatha's brand. Wagatha's Super Biscuit for Dogs is 100% USDA organic certified and free from wheat and lactose. This kosher certified product retails in a 9 oz. pack and was on display at the Global Pet Expo Orlando 2009.

Functional Dog Foods

Teeth Care, Tartar Prevention and Joint Function

In the U.S., Nutri-Vet released Peanut Butter Flavoured Wafers under the Nutri-Vet Hip & Joint brand. Nutri-Vet Hip & Joint Peanut Butter Flavoured Wafers contain natural ingredients, which support joint function and connective tissue. The wafers are hard and crunchy to help promote strong teeth and healthy gums, and are made with high quality ingredients. The product is said to easily provide standardized and accurate amounts of glucosamine according to the size of dogs. The range comprises the following variants: Medium Dogs, which is available in newly designed 19.5 oz., 3 lb., and 20 lb. resealable packs; Small Dogs, which is available in a newly designed 8 oz. resealable pack; and Large Dogs, which is available in newly designed 2 lb., 6 lb., and 20 lb. resealable packs. These products were on display at the Global Pet Expo Orlando 2009.

Healthy Skin and Coat



In the U.S., Nor Pac Fish released Wild Alsakan Salmon Snacks for Dogs under the Alaska Naturals brand. Wild Alaskan Salmon Snacks for Dogs are made with the finest quality wild Alaskan salmon to promote healthy skin and coat, support cardiovascular health, and help maintain healthy immune systems and brain development. The product was displayed at the Global Pet Expo in Orlando 2009.

Joints, Bones and Muscles

In Canada, Catom Pharmaceutical Advisors released Healthy Treats For Dogs under the Nature's Holistic brand. Nature's Holistic Healthy Treats for dogs contain less than eight calories per treat and are bacon and liver flavoured. This product is formulated with natural ingredients such as fruit juices, algae and carrots, and Glucosamine-Plus, to support dog's natural ability to maintain or sustain a healthy joint function. It is also ideal for all breeds, helps keep teeth clean, is stomach friendly, and free from wheat, artificial colour, and preservatives. It retails in a 120 g package. Also available are the following varieties: Combi Plus; Spirulina Plus; and Nature's Way.

Premium Dog Foods

In the U.S., Bravo! released Premium Raw Dog Food Blend under the Bravo! Original Formula brand. Bravo! Original Formula Premium Raw Dog Food Blends contain all four parts of a sound raw food diet such as meat, bone, organ meat and vegetables. The 100% natural, human grade products are made from hormone-free and grass-fed meats, antibiotic-free poultry, grade A washed vegetables and are free from preservatives, additives, artificial ingredients or colours. The following varieties are available: Premium Chicken Blend; Premium Beef Blend; Premium Turkey Blend; Premium Lamb Blend; and Premium Pork Blend. Each blend is made with USDA inspected and approved meats, is ideal for pets with sensitive digestive systems and is less likely to contribute to the development of food intolerances. The products are available in 1 lb., 1 lb., and 5 lb. tubes and were on display at the Global Pet Expo in Orlando 2009.

Premium Dog Foods continued…

In the U.S., Zoogestión released Functional Snacks for Dogs under the Mediterranean Natural brand. Mediterranean Natural has launched premium Functional Snacks for Dogs, which are suitable for cardiac support. This 100% natural product contains Taurine 600 and L-carnitine 300, and is claimed to help the cardiac function, regularize the cardiac rhythm and increase tolerance to physical exercise. It was on display at the Global Pet Expo Orlando 2009. Also available in the range are Functional Snacks with Condroithine & Glucosamine for growing pets.

Flavour and/or Ingredient Trends in Dog Food

Vitamin and/or Mineral Fortification

In the U.S., Iams released Medium Breed Adult Weight Control Dog Food under the Eukanuba Customized Nutrition brand. Eukanuba Customized Nutrition Medium Breed Adult Dog Food is now available in a Weight Control variant with 31% less fat. The food is suitable for dogs of one year and older. This premium dog food is complete with natural chicken, fish and egg protein to maintain a medium breed dog's healthy vitality. It is also made without artificial preservatives or fillers for optimal nutrition. According to the manufacturer, the product is easily digestible for better nutrient absorption. It contains a unique antioxidant blend to support the immune system and a coating of micro-crystals which reduce tartar build-up. This food also contains an optimal ratio of omega-6 and omega-3 fatty acids to help medium breed dogs have healthy skin and a beautiful coat, and wholesome grains for healthy blood sugar and energy levels. It contains L-carnitine to facilitate the oxidation of fat and is available in a 15 lb. package. Also available is Large Breed Adult Weight Control Dog Food in a 15 lb. package, which is suitable for adult dogs of 23 kg or over; and Adult Maintenance Small Bite which is for dogs of one year and over who prefer a smaller kibble. The product retails in a 20 lb. package.

High Protein Count

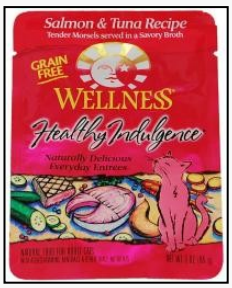
In the U.S., Pure Treats released Freeze-Dried Cheddar Cheese Dog Treats under the PureBites brand. PureBites has launched Freeze-Dried Cheddar Cheese Dog Treats which are made from 100% natural and pure U.S.-made cheddar cheese. The product has been developed with high protein and does not contain preservatives. It is claimed to be highly digestive, is available in a 10.8 oz. plastic bag and was on display at the Global Pet Expo in Orlando 2009. Also available is a freeze-dried Beef Liver Treat available in a 4.2 oz. pack.

ANNEX 2

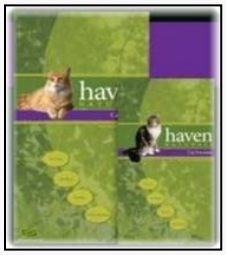
All information in this annex is from Mintel GNDP.

New Product Introductions: Cat Food in North America

In the U.S., Bell Rock Growers released Semi-Moist Cat Treats under the Pet Greens Treats brand. Pet Greens Treats Semi-Moist Cat Treats is now available in a Savory Salmon variety. The food is formulated with wheatgrass and does not contain wheat gluten, artificial colours or flavours. It is said to be a safe alternative to houseplants and outside grasses. Also available in a Deep Sea Tuna flavour. The product retails in a 3 oz. pouch and was on display at the Global Pet Expo in Orlando 2009.



In the U.S., Old Mother Hubbard released Salmon & Tuna Entree For Cats under the Wellness Healthy Indulgence brand. Wellness Healthy Indulgence Salmon & Tuna Entree For Cats is a natural food for adult cats, with added vitamins, minerals and other trace nutrients. The food contains tender morsels served in a savoury broth, and is free from: wheat; corn; soy; meat by-products; and artificial preservatives, colours and flavours. The product is available in a 3 oz. pack. Eight other varieties are available: Chicken, Crab and Herring; Turkey and Duck; Salmon and Chicken; Chicken, Duck and Shrimp; Grain-Free Chicken and Chicken Liver; Grain-Free Tuna; Grain-Free Salmon and Tuna; Grain-Free Turkey and Chicken.



In the U.S., Kent Feeds released Dry Cat Food under the Kent Haven Naturals brand. Kent Haven Naturals Dry Cat Food is made with a balance of all natural ingredients fortified with vitamins and minerals. The food is available in the following varieties: Adult Formula; and Kitten Formula. They contain no artificial additives or preservatives, corn, wheat or soy. Both varieties are retailed in 8 lb. and 20 lb. packages and were displayed at the Global Pet Expo in Orlando 2009.

Natural Cat Foods

No Additives or Preservatives

In the U.S., Nature's Variety released Chicken Meal Formula under the Nature's Variety Instinct brand. Nature's Variety Instinct Chicken Meal Formula offers complete and balanced nutrition for cats, free of grain and gluten. It contains 90% protein from chicken meal and menhaden fish meal. The product features an exclusive freeze-dried raw, organic coating and is free from artificial flavours, colours and preservatives. This product retails in a 4.4 lb. pack with a slider seal to lock in freshness, and was on display at Global Pet Expo 2009 Trade Show in Orlando. Also available is a Rabbit Meal Formula.

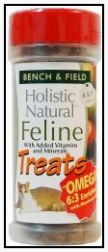
Natural Cat Foods continued…

No Additives or Preservatives

In Canada, Petcurean released Cat Treats under the Now! Grain Free brand. Now! Grain Free Cat Treats contain a nutrient dense formula that provides cats with quality healthy ingredients, not found in other diets, like pumpkin, banana, blueberries, cranberries, blackberries, papaya, pineapple and many more. It contains no grains, rendered meats, fats or oils, high protein or fat levels, no artificial colors or artificial preservatives. The product is available in a 90 g pouch and was on display at the Global Pet Expo in Orlando 2009.

All Natural

In Canada, Sojourner Farms released Cat Food Mix under the Sojos brand. Sojos Cat Food Mix is said to be made with only simple ingredients and to be "homemade cat food made easy." It claims to be free from preservatives and 100% natural. This product is ready to mix with meat and veggies. It was on display at the Global Pet Expo Orlando 2009.



In the U.S., Bench & Field Pet Foods released Feline Treats under the Bench & Field Holistic Natural brand. Bench & Field Holistic Natural Feline Treats are enriched with omega 6 and 3, menhaden oil, vitamins and minerals. They are all natural and can be given to cats at any time of the day. This product retails in a 3 oz. jar and was displayed at the Natural Products Expo East 2008 in Boston.

Organic

In the U.S., Nature's Variety released Chicken Meal & Brown Rice Medley under the Nature's Variety Prairie brand. Nature's Variety Prairie Chicken Meal & Brown Rice Medley is a complete and balanced food for all life stages featuring an exclusive freeze dried raw organic coating. The product contains whole, hearty grains, essential fatty acids for healthy skin and a lush, glossy coat, and it is high in chicken-meal protein. This product is free from artificial flavours, colours, and preservatives and is retailed in a 5 lb. package. This product was on display at Global Pet Expo 2009 Trade Show in Orlando. Also available in the range are Lamb Meal and Oatmeal Medley; and Salmon Meal and Brown Rice Medley variants.

Functional Cat Foods

Digestion and Urinary Tract

In the U.S., Nutri-Vet released Soft Chews For Cats under the Nutri-Vet Uri-Ease brand. Nutri-Vet Uri-Ease Soft Chews For Cats are tuna flavoured and contain a unique blend of potent natural ingredients formulated by veterinarians to help maintain a cat's urinary tract health. The product is available in a 2.5 oz. stay fresh resealable pouch and was on display at the Global Pet Expo in Orlando 2009.

Teeth Care and Tartar Protection

In the U.S., Beefeaters released Cat Treats under the Beefeaters Tartar Control brand. Beefeaters Tartar Control has launched Cat Treats with the following flavours: chicken and turkey; and tuna. This product was on display at the Global Pet Expo Orlando 2009.

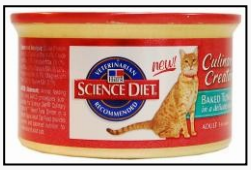
In Canada, Mars released Chicken and Turkey Flavoured Adult Cat Food under the Whiskas brand. Whiskas Meaty Selections Cat Food in a chicken and turkey variety contains crunchy meaty pockets. According to the manufacturer, this product is a complete and balanced dry food for adult cats, which is made with high quality proteins that are easy to digest and contains a special blend of vitamins and minerals. The product is formulated by following an original recipe and features an average of 20% more protein than most leading brands. The cat food's crunchy texture helps to clean teeth and also promotes healthy skin and a shiny coat. This product is retailed in a 1 kg package. Also available is a 2 kg package.

Immune System

In the U.S., Zoogestión released Functional Snack with Omega 3 & 6 under the Mediterranean Natural brand. Mediterranean Natural Innovating Premium Petfood Functional Snacks with Omega 3 and 6 is made with 100% natural ingredients. This cat snack prevents and treats feline dermatopathy, strengthens the immunologic and cardiovascular system and it is specially recommended for pregnant cats as well as growing cats. According to the manufacturer, this product also provides brightness and healthy hair and contains calcium, phosphorus, magnesium, and vitamins B12 and E. The product was on display at Global Pet Expo 2009 Trade Show in Orlando.

In Canada, Del Monte Pet Products released Complete Meal Pack under the Meow Mix brand. Meow Mix Complete Meal Pack is a seven-day meal made with real sea-food and meats. It comprises one 2 kg Original Choice Dry Cat Food, two 59 g Ocean Explosion Cat Treat, and six 78 g Market Select Cups. The 2 kg Original Choice Dry Cat Food contains 100% complete nutrition made from high quality ingredients. It also contains essential nutrients and antioxidants to ensure a healthy immune system for cats. The following flavours are available in a 2 kg package: chicken, turkey, salmon and ocean fish. The 59 g Ocean Explosion Cat Treats is formulated with fresh tuna and salmon for tartar control. The 78 g Market Select Cups have the following flavours: Real Tuna and Whole Shrimp in Sauce; Real Chicken and Liver in Gravy; and Real Salmon and Crab Meat in Sauce.

Premium Cat Foods



In the U.S., Hill's Pet Nutrition released Baked Tuna Dinner in a Delicate Sauce for Cats under the Hill's Science Diet Culinary Creations brand. Hill's Science Diet Culinary Creations Baked Tuna Dinner in a Delicate Sauce is a premium food for adult cats. It provides a complete gourmet experience with exquisite taste and superior nutrition for maintenance of adult cats between 1 and 6 years. Also available in the range are: Roasted Beef Dinner in a Rich Gravy for kittens; Roasted Chicken Dinner in a Savoury Gravy for kittens; and Baked Ocean Fish Dinner in a Creamy Sauce. These products were on display at the Global Pet Expo Orlando 2009.

Personalized Cat Foods

Low/No/Reduced Allergens

In the U.S., Blue Buffalo released Flaked Chicken Entrée under the Blue Healthy Gourmet brand. Blue Healthy Gourmet Flaked Chicken Entrée is said to be a natural food for cats with added vitamins and minerals. It has been made with the finest natural ingredients and is free from meat by-products, corn, wheat, soy and gluten. The product is retailed in an 85 g can. Also available are the following varieties: Flaky Tuna; Flaky Salmon; and Flaky Turkey.

In Canada, Petcurean released Kitten Formula under the Now! Grain Free brand. Now! Grain Free Kitten Formula is a healthy formula made from natural, wholesome ingredients for a long and healthy life. The product contains 100% fresh meat and 0% grains, and is made with fresh, delicious ingredients grown in the heartland of North America that provide a balance of protein, vitamins, minerals, antioxidants and healthy digestive enzymes. These quality ingredients are used to provide muscle mass, to meet the pet's energy levels, and to develop healthy skin and coat. The kitten food is free from rendered meat or oils, by-products, meat meals, grains or cereals, soy, artificial colors or preservatives, added sugar and fillers. It is available in 1 lb, 3 lb, and 10 lb pouches, and was on display at the Global Pet Expo in Orlando 2009. Also available: Adult Cat Formula; and Senior/Weight Management Formula.

Low/No/Reduced Calories

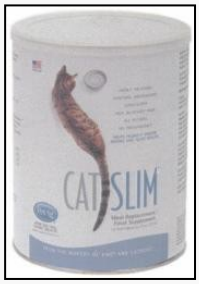
In the U.S., Hartz released cat treats under the Hartz Crunch 'n Clean brand. Hartz Crunch 'n Clean contains a DentaShield patented ingredient, which is said to block three times more tartar than a regular biscuit. The biscuits are enriched with vitamins and minerals, plus essential amino acid taurine. The treats contain less than two calories per serving and are available in the following flavours: Rich Salmon; Bold Beef; and Savory Chicken. The products retail in 85 g pouches. They were on display at the Global Pet Expo 2009

Personalized Cat Foods continued…

Low/No/Reduced Calories

In USA, Mars released Savory Salmon Flavour Treats for Cats under the Temptations Indoor brand. Temptations Indoor Savory Salmon Flavour Treats for Cats are soft inside and crunchy outside and contain supplemental dietary fiber for healthy digestion and garden greens that indoor cats crave. The product is said to be 100% nutritionally complete and to contain no artificial flavours, with fewer than two calories per treat. The product is available in a 2.1 oz. pack.

Weight Control



In the U.S., PetAG released Liquid Meal Replacement under the PetAg CatSlim brand. PetAg CatSlim Liquid Meal Replacement is said to be the first all-natural, low-calorie liquid meal replacement designed especially for the species. It is designed to offer a nutrition-packed alternative to regular feedings in a highly concentrated formula that naturally helps curb appetites while helping to metabolize fat. It is recommended to substitute one-half of a cat's daily food intake with CatSlim during the weight loss program. The formula with taurine is high in dietary fiber and protein, rich in vitamins and minerals and free from antibiotics, hormones, preservatives, artificial colours or flavours. The vanilla flavoured product was on display at the Global Pet Expo in Orlando 2009.

Low/No/Reduced Fat

In the U.S., Talk To Me Pet released Feline Treats under the Talk To Me brand. Talk To Me Feline Treats are low fat treats that are 100% nutritionally complete. The product provides tartar control and retails in 2.1 oz. pouches in the flavours: Chicken; Salmon; and Ocean Fish. It was on display at the Global Pet Expo in Orlando 2009. Also available in convenient 1 oz. tins.

In the U.S., Bone Appétit Bakery released Chicken Flavoured Gourmet Cat Treats under the Bone Appétit brand. Bone Appétit Gourmet Cat Treats come with chicken flavour. The treats feature only all natural ingredients and contain no preservatives, additives and added sugar or salt. This product is low in fat and low in calories, and is retailed in a 6 oz. bag.

Flavour and/or Ingredient Trends in Cat Food

In the U.S., Bell Rock Growers released Semi-Moist Cat Treats under the Pet Greens Treats brand. Pet Greens Treats Semi-Moist Cat Treats is now available in a Savoury Salmon variety. The food is formulated with wheatgrass and contains no wheat gluten, artificial colours or flavours. It is said to be a safe alternative to houseplants and outside grasses. Also available in a Deep Sea Tuna flavour. The product retails in a 3 oz. pouch and was on display at the Global Pet Expo in Orlando 2009.

Vitamin and/or Mineral Fortification

In USA, Proformance Pet Products released Garden Chicken Holistic Food For Cats under the ProFormance Freshway brand. ProFormance Freshway Garden Chicken Holistic Food For Cats is scientifically formulated for long-term health and is produced from safe and natural ingredients. It includes nutritious fruits and vegetables, balanced levels of omega 3 and 6, antioxidants to reduce shedding, natural probiotics, prebiotics and digestive enzymes for good intestinal healthy, and proper pH and cranberries to promote urinary health. The product is free from meat byproducts, corn, gluten, wheat or soy, artificial preservatives, flavours or colours. It retails in a 5 kg package and was on display at the Global Pet Expo Orlando 2009.

High Protein Count

In the U.S., Blue Buffalo released Chicken Flavoured Cat Food under the Blue Wilderness brand. Blue Wilderness Chicken Flavoured Cat Food is made with the finest natural ingredients and fortified with vitamins and minerals. It is also high in protein, low in carbohydrates, and contains no meat by-products, artificial preservatives, corn, wheat, gluten or soy. The product retails in a 3.5 oz. can. Also available in the range is a turkey variety.

ANNEX 3

All information in this annex is from Euromonitor International.

Market Indicators in the United States

Table 1 - Pet Populations 2004-2009

	2004	2005	2006	2007	2008	2009
'000s of animals						**Forecast**
Dog population	62,319.0	64,065.0	65,474.0	66,331.0	66,271.0	65,791.0
Cat population	79,670.0	80,785.0	82,239.0	81,289.0	80,240.0	79,695.0
Bird population	16,280.0	15,870.0	15,394.0	15,088.0	14,838.0	14,507.0
Fish population	155,040.0	154,112.0	156,886.0	158,628.0	160,053.0	158,889.0
Small mammal population	17,925.0	18,305.0	18,763.0	22,222.0	25,052.0	26,884.0
Reptile population	18,280.0	18,371.0	18,702.0	20,946.0	22,782.0	23,840.0

Market Data in the United States

Table 2 - Sales of Pet Food and Pet Care Products by Sector: Volume 2004-2009

	2004	2005	2006	2007	2008	2009
'000s of tonnes						Forecast
Dog and cat food	7,810.6	7,966.9	8,153.2	8,041.3	8,011.8	7,930.5
Other pet food	80.7	79.9	79.0	83.3	86.0	87.7
Pet food and pet care products	-	-	-	-	-	-

Note*: Pet food and pet care products volume sales not calculable at total market level*

Table 3 - Sales of Pet Food and Pet Care Products by Sector: Value 2004-2009

	2004	2005	2006	2007	2008	2009
US$ millions						Forecast
Dog and cat food	13,813.4	14,415.3	15,293.1	15,783.4	17,055.6	17,826.3
Other pet food	557.4	551.8	552.0	577.5	593.9	602.5
Pet care products	5,545.8	5,829.7	6,220.4	6,642.5	6,956.4	7,110.3
Pet food and pet care products	19,916.6	20,796.7	22,065.5	23,003.4	24,606.0	25,539.1

Table 4 - Sales of Pet Food and Pet Care Products by Sector: % Volume Growth 2004-2009

	2008-2009	2004-2009 CAGR	2004-2009 TOTAL
% volume growth			
Dog and cat food	-1.0	0.3	1.5
Other pet food	2.0	1.7	8.7
Pet food and pet care products	-	-	-

Note: *Pet food and pet care products volume sales not calculable at total market level*

Table 5 - Sales of Pet Food and Pet Care Products by Sector: % Value Growth 2004-2009

	2008-2009	2004-2009 CAGR	2004-2009 TOTAL
% current value growth			
Dog and cat food	4.5	5.2	29.1
Other pet food	1.4	1.6	8.1
Pet care products	2.2	5.1	28.2
Pet food and pet care products	3.8	5.1	28.2

Table 6 - Dog and Cat Food Company Shares 2004-2008

% retail value rsp	2004	2005	2006	2007	2008
Nestlé Purina PetCare Co	30.7	30.5	30.1	31.3	32.0
Hill's Pet Nutrition Inc	10.9	10.9	11.3	11.6	11.7
Iams Co, The	12.2	12.1	12.1	11.3	11.3
Del Monte Foods Co	7.1	6.6	10.2	9.9	9.6
Mars Inc	9.7	9.5	9.4	9.9	9.2
Wal-Mart Stores Inc	7.7	7.6	7.4	6.9	6.4
Nutro Products Inc	3.1	3.1	3.1	3.1	3.0
S&M NuTec LLC	2.3	2.8	2.4	2.2	1.9
Spectrum Brands Inc	-	0.6	0.7	0.6	0.5
Sunshine Mills Inc	0.4	0.3	0.3	0.3	0.3
Meow Mix Co, The	2.3	2.7	-	-	-
Kraft Foods Inc	1.2	1.1	-	-	-
United Pet Group Inc	0.4	-	-	-	-
Royal Canin SA	-	-	-	-	-
Ralston Purina Co	-	-	-	-	-
Heinz Co, HJ	-	-	-	-	-
Friskies Petcare Co	-	-	-	-	-
Dingo Brand LLC	-	-	-	-	-
Private Label	3.3	3.2	3.8	3.5	3.6
Others	8.7	9.0	9.3	9.4	10.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 7 - Dog and Cat Food Brand Shares 2005-2008

Brand	Company	2005	2006	2007	2008
% retail value rsp					
Hill's Science Diet	Hill's Pet Nutrition Inc	10.1	10.4	10.8	10.9
Iams	Iams Co, The	10.6	10.7	10.0	10.0
Friskies	Nestlé Purina PetCare Co	4.9	4.7	4.8	4.9
Ol' Roy	Wal-Mart Stores Inc	5.7	5.5	5.1	4.8
Pedigree	Mars Inc	4.7	4.7	5.0	4.6
Fancy Feast	Nestlé Purina PetCare Co	3.9	3.8	4.2	4.1
Purina ONE	Nestlé Purina PetCare Co	3.3	3.4	3.7	3.7
Beneful	Nestlé Purina PetCare Co	1.8	2.4	2.8	3.4
Dog Chow	Nestlé Purina PetCare Co	3.1	3.1	3.2	3.4
Meow Mix	Del Monte Foods Co	-	2.6	2.7	2.7
Nutro	Nutro Products Inc	2.1	2.1	2.1	2.1
Cat Chow	Nestlé Purina PetCare Co	1.9	1.9	2.0	2.0
Greenies	S&M NuTec LLC	2.8	2.4	2.2	1.9
Alpo	Nestlé Purina PetCare Co	2.3	2.1	1.9	1.8
Special Kitty	Wal-Mart Stores Inc	1.9	1.8	1.8	1.6
Pro Plan	Nestlé Purina PetCare Co	1.3	1.4	1.5	1.5
Whiskas	Mars Inc	1.7	1.7	1.6	1.5
9 Lives	Del Monte Foods Co	1.5	1.4	1.4	1.3
Eukanuba	Iams Co, The	1.5	1.4	1.3	1.3
Kibbles 'n' Bits	Del Monte Foods Co	1.5	1.3	1.3	1.3
Puppy Chow	Nestlé Purina PetCare Co	1.3	1.2	1.2	1.2
Milk-Bone	Del Monte Foods Co	-	1.1	1.1	1.0
Beggin' Strips	Nestlé Purina PetCare Co	0.7	0.7	0.8	0.9
Hill's Prescription Diet	Hill's Pet Nutrition Inc	0.8	0.8	0.8	0.8
Mighty Dog	Nestlé Purina PetCare Co	1.0	0.9	0.8	0.8
Natural Choice	Nutro Products Inc	0.8	0.8	0.8	0.7
Cesar	Mars Inc	0.7	0.8	0.8	0.7
Little Champions	Mars Inc	0.8	0.8	0.8	0.7
Pup-Peroni	Del Monte Foods Co	0.6	0.6	0.6	0.6
Royal Canin	Mars Inc	0.6	0.6	0.5	0.5
Meow Mix	Meow Mix Co, The	2.5	-	-	-
Milk-Bone	Kraft Foods Inc	1.1	-	-	-
Private label	Private Label	3.2	3.8	3.5	3.6
Others		19.2	18.9	18.8	19.6
Total		**100.0**	**100.0**	**100.0**	**100.0**

Table 8 - Penetration of Private Label by Sector 2003-2008

	2003	2004	2005	2006	2007	2008
% retail value rsp						
Dog and cat food	11.1	11.0	10.8	11.1	10.4	10.0
Other pet food	5.6	5.7	5.6	5.5	5.2	4.9
Pet care products	3.6	3.5	3.4	3.4	3.5	3.7
Pet food and pet care products	8.9	8.8	8.6	8.8	8.3	8.1

Table 9 - Sales of pet Food and Pet Care Products by Sector and Distribution Format: % Analysis 2009

	Dog & Cat Food	Other Pet Food	Pet Care Products
% retail value rsp			
Store-based retailing	100.0	100.0	98.0
Grocery retailers	54.6	27.0	21.3
Supermarkets/hypermarkets	44.1	24.9	19.6
Discounters	1.3	0.0	0.4
Other grocery retailers	9.3	2.1	1.3
Non-grocery retailers	45.3	73.0	76.6
Pet superstores	17.5	47.7	28.9
Pet shops	4.0	14.8	21.2
Veterinary clinics	6.3	1.0	18.6
Other non-grocery retailers	17.5	9.4	8.0
Non-store retailing	0.0	0.0	2.0
Home shopping	0.0	0.0	0.7
Internet retailing	0.0	0.0	1.4
Direct selling	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**

Table 10 - Sales of Dog and Cat Food by Distribution Format: % Analysis 2009

	Dog Food	Cat Food
% retail value rsp		
Store-based retailing	100.0	100.0
Grocery retailers	51.2	61.4
Supermarkets/hypermarkets	41.2	49.8
Discounters	1.1	1.7
Other grocery retailers	8.9	9.9
Non-grocery retailers	48.7	38.6
Pet superstores	18.4	15.8
Pet shops	3.7	4.5
Veterinary clinics	6.9	5.1
Other non-grocery retailers	19.7	13.2
Non-store retailing	0.0	0.0
Homeshopping	0.0	0.0
Internet retailing	0.0	0.0
Direct selling	0.0	0.0
Total	**100.0**	**100.0**

Table 11 - Forecast Sales of Pet Food and Pet Care Products by Sector: Volume 2009-2014

	2009	2010	2011	2012	2013	2014
‘***000s of tonnes***						
Dog and cat food	7,930.5	7,988.0	8,108.7	8,152.4	8,303.5	8,395.6
Other pet food	87.7	88.8	89.5	90.2	89.0	88.4
Pet food and pet care products	-	-	-	-	-	-

Note: *Pet food and pet care products volume sales not calculable at total market level*

Table 12 - Forecast Sales of Pet Food and Pet Care Products by Sector: Value 2009-2014

	2009	2010	2011	2012	2013	2014
$US Millions						
Dog and cat food	17,826.3	18,318.8	18,810.4	19,252.8	19,735.6	20,182.3
Other pet food	602.5	608.3	615.3	624.9	626.3	631.7
Pet care products	7,110.3	7,258.2	7,449.5	7,598.6	7,738.4	7,886.9
Pet food and pet care products	25,539.1	26,185.3	26,875.2	27,476.2	28,100.4	28,700.9

Table 13 - Forecast Sales of Pet Food and Pet Care Products by Sector: % Volume Growth 2009-2014

	2013-2014	2009-2014 CAGR	2009-2014 TOTAL
% volume growth			
Dog and cat food	1.1	1.1	5.9
Other pet food	-0.7	0.2	0.8
Pet food and pet care products	-	-	-

Note: *Pet food and pet care products volume sales not calculable at total market level*

Table 14 - Forecast Sales of Pet Food and Pet Care Products by Sector: % Value growth 2009-2014

	2009-2014 CAGR	2009-2014 TOTAL
% constant value growth		
Dog and cat food	2.5	13.2
Other pet food	1.0	4.8
Pet care products	2.1	10.9
Pet food and pet care products	2.4	12.4

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

The United States—A Growing Pet Food Market

© Her Majesty the Queen in Right of Canada, 2010

ISSN 1920-6593 Market Analysis Report
AAFC No. 11203E

Photo Credits

All Photographs reproduced in this publication are used by permission of the rights holders.
All images, unless otherwise noted, are copyright
Her Majesty the Queen in Right of Canada.

For additional copies of this publication or to request an alternate format, please contact:
Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

Aussi disponible en français sous le titre :
Les Etats-Unis: Un marché des aliments pour animaux de compagnie en croissance

Canada