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## Colombia

**Post:** Bogota

### Colombia's Pet Food Demand to Grow as Income Rises

**Report Categories:**

Market Development Reports

Grain and Feed

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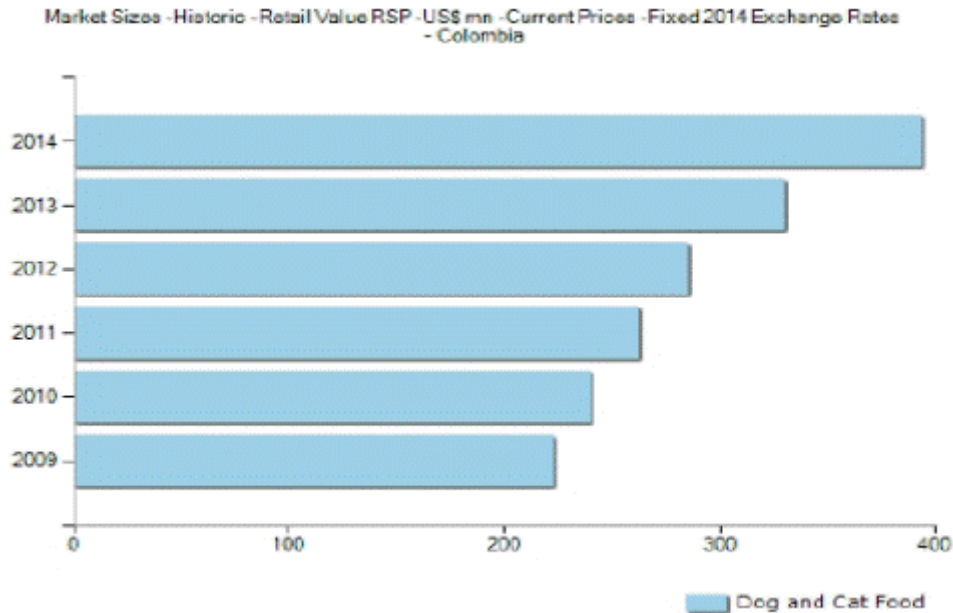
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**Report Highlights:**

FAS Colombia is writing a series of reports on the benefits and challenges of the U.S.-Colombia Trade Promotion Agreement (CTPA) between the United States and Colombia. This report analyzes the demand for pet food for dogs and cats in Colombia and the country's use of the pet food tariff rate quota (TRQ), which will increase by four percent per year and be phased-out by 2019. A promotional campaign by the U.S. pet food industry could increase sales in Colombia for U.S. pet food.

## General Information:

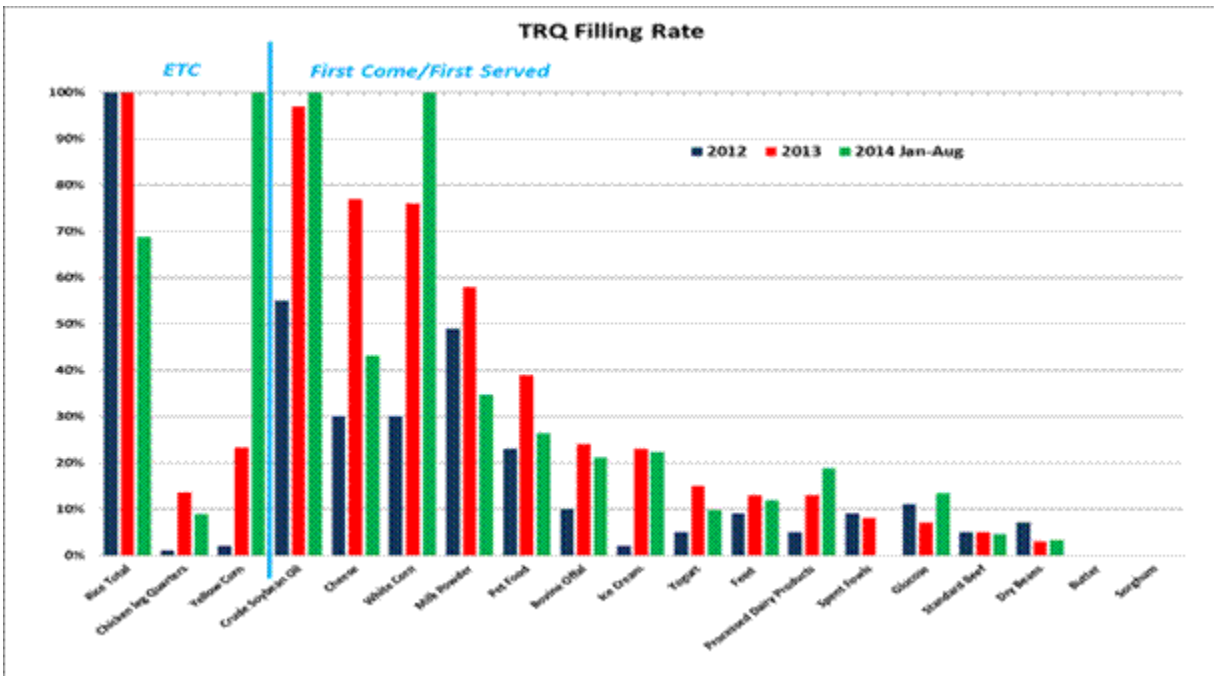
Over the past six years the market for dog and cat food in Colombia has grown substantially because of the growth in the Colombian economy and the increase in popularity of pet ownership. As seen in the graph below, the retail market for pet food has increased 78 percent in six years, from around \$225 million in 2009 to nearly \$400 million in 2014 (as of July).



Source: Euromonitor International

Exports of U.S. pet food have benefited from a zero tariff TRQ, set for 10,078,000 kg in 2014, in which U.S. exporters of pet food can sell to distributors in Colombia until the quota is met and tariff duties are implemented. The size of the TRQ also increases each year by four percentage points. As of July 2014, U.S pet food sales to Colombia were \$7.0 million, a 29% increase from the same period in 2013. These sales, however, only account for about 30% of Colombia's TRQ for pet food exports from the United States. The reasons why the TRQ has not been used more extensively include stiff competition from local producers as well as from Europe, Argentina, Brazil, and Chile, and a small demand base for higher quality pet food. The United States is a major supplier of high quality pet food to Colombia that consists of meat and vitamins. Low quality pet food is grain based, which is produced extensively in Colombia. In addition, many Colombians continue to feed their pets table scraps and other foods.

As noted by the illustration below, since 2012 the fill rate of pet food TRQ continues to be well below what is permitted by the Colombian government.



Source: Foreign Agricultural Service

Even with these constraints, Colombia remains one of the fastest growing markets for U.S. exporters. Dog and cat food exports to Colombia have grown to their highest levels in 2013 with \$11.0 million sold to distributors in the country, up from \$6.9 million in 2012. Consequently, Colombia is the United States' fourteenth largest market for pet food products.

Demand for U.S. pet food should continue to increase in Colombia. Per capita income and corresponding disposable income for non-essential food products continues to increase Colombia. According to the World Bank, the current purchasing power parity (PPP) for Colombia is U.S. \$11,890. PPP in the United States is around \$50,000. As indicated by the table below, this PPP has steadily increased since 2005. As PPP grows, demand for pet food products is expected to grow.

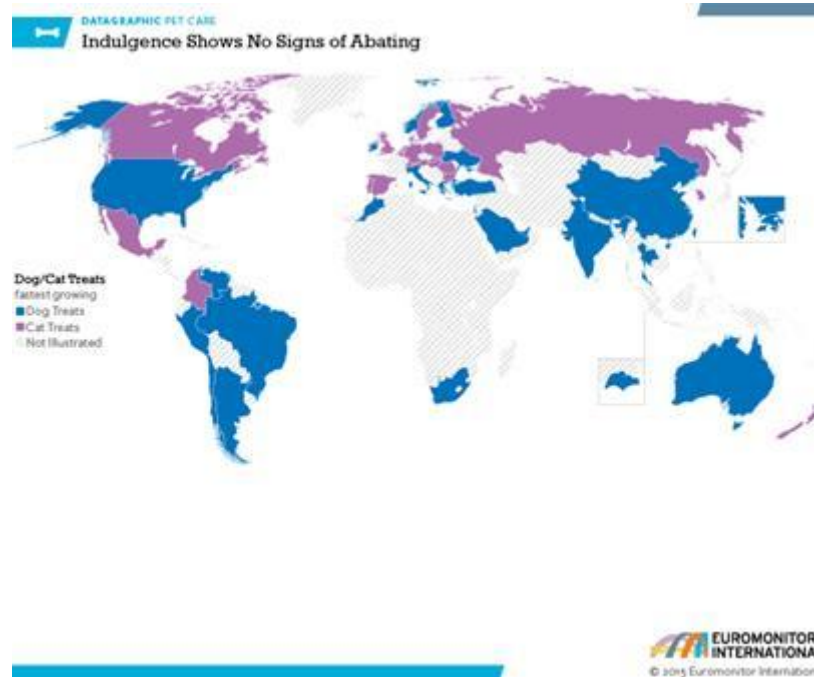
	2005	2006	2007	2008	2009	2010	2011	2012	2013
GNI per capita, PPP (current international \$)	7,970	8,640	9,320	9,670	9,780	10,130	10,790	11,340	11,890

Source: World Bank

Additionally, growth in dog and cat food product demand has been increasing as Colombians have fewer children. Many younger Colombians are moving to cities and urban areas with smaller homes and in the process are increasingly humanizing pets and making them members of the family. As a result, better quality pet food will become increasingly popular. According to Euromonitor, however, cat food sales are expected to do better than dog food because many cats are easier to take care of as

compared to dogs. While in absolute terms dog ownership is higher, cats do not require as much maintenance, such as walks, and thus are becoming more popular to the younger, urban generation.

As seen in the map below, cat treats have a high demand potential in Colombia.



But what specialized products can be provided for pets remains uncertain. Because of limited expenditures on pet food due to the current PPP, Colombian consumers are less likely to purchase more expensive types of pet food. Rather, there are better deals and higher demand for lower quality grain-based products, especially for dog food. But as PPP and humanization of pets increases, it is expected that Colombians will buy more high quality pet food.

### **Strategies to Increase Demand for U.S. pet food in Colombia:**

Because of the demographic changes and an improved economy in Colombia, a promotional campaign by the U.S. pet food industry could increase demand for U.S. exports. For example, the U.S. industry could educate Colombian pet owners on the high quality of U.S. pet food, which is better for the animals' health than cheaper grain based pet food and table scraps.