

# Consumer Corner

## Pet Food Market Trends



Issue 53, September 2019

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## Pets – People love their pets

Pets play a vital role in their owner's lives. They are loyal companions, they keep us active, and they can even make us laugh. Pet ownership contributes to improved mental and physical well-being – it reduces stress and blood pressure, and improves immunity.<sup>1</sup> Because of this, it is no wonder that we want to ensure that our pets are healthy and therefore we want to feed them well. The pet food industry consists primarily of dog and cat food and thus is the focus of this article. This article also sheds some light on the pet population and pet food trends both in Canada and globally.

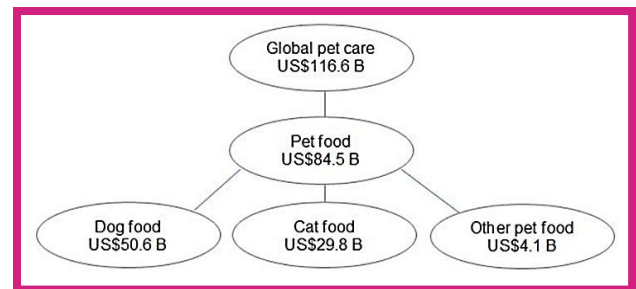
## Global Pet Situation

Globally, pet ownership is rising. In developed countries with aging populations, many people are turning to dogs and cats for companionship. On the other end of the age spectrum, younger consumers are staying single or childless longer and view pets as a good alternative. In some developing countries, the improving economic situation makes it easier for an increasing number of households to own a dog or a cat.<sup>2</sup>

There has also been a shift in the way people view their canine and feline companions. No longer relegated to the garden, pets have become present in all aspects of their owners' lives. According to Sainsbury's, **in the United Kingdom, nearly one third of respondents say their dog or cat's health and wellbeing is of greater concern to them than their own.**<sup>3</sup>

In 2017, as illustrated in **Figure 1, pet owners spent US\$ 84.5 billion globally on pet food.** Dog and cat food comprised 95 per cent of pet food sales with dog food comprising the greater portion. Both sectors are projected to grow at compound annual growth rates of about six per cent up to 2022. The "other pet food" category, which includes food for animals such as birds and fish, has been on a declining trend for years.<sup>4</sup>

**Figure 1: 2017 Global Pet Care Industry**



Source: AAFC. Pathfinder – Global dog and cat food trends. 2018

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<sup>1</sup> Canadian Animal Health Institute

<sup>2</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>3</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>4</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

## Global Pet Food Situation

US is the primary destination for Canadian pet food

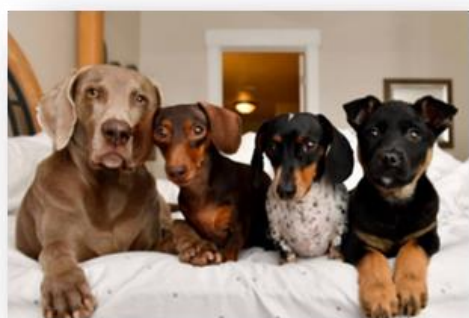
In 2017, **Canada exported US\$525.3 million worth of dog and cat food.**

The US was the number one destination, with a share of almost half of total Canadian dog and cat food exports in 2017, but its share is declining. Russia follows, receiving 7.7 per cent of Canadian dog and cat food exports in 2017. All other countries receive less than five per cent of Canadian dog and cat food export. Some destinations are growing at strong rates, including South Korea (with a compound annual growth rate of 46.1 per cent over 2013-2017), France (36.9 per cent), Hong Kong (35.2 per cent), Spain (21.2 per cent) and New Zealand (2.8 per cent).<sup>5</sup>

As highlighted in **Table 1**, the major global dog and cat food importers are

Germany is the largest pet food importer in the world

located in Europe and North America, with the exception of Japan. Germany has long been the world's largest importer of dog and cat food. In 2017, Canada was the eighth-largest dog and cat food exporter.<sup>6</sup>



**Table 1: 2017 Top 10 Global Pet Food Importers and Exporters**

Country Ranking	Pet Food Importers	Pet Food Exporters
1	Germany	Germany
2	US	France
3	UK	US
4	France	Thailand
5	<b>Canada</b>	Netherlands
6	Japan	China
7	Italy	Poland
8	Belgium	<b>Canada</b>
9	Netherlands	Belgium
10	Poland	Hungary

Source: Global Trade Tracker, 2018, Agriculture and Agri-Food Canada

## Pet Food Markets – Growth Regions

In 2017, Western Europe and North America were the most mature markets comprising 66.1 per cent of global sales, driven mostly by premium and niche products. These markets should maintain good performance in the coming years, especially in North America where pet "parents" tend to splurge on their pets, with a trend towards customization.<sup>7</sup>

Over the 2013-2017 period, the fastest growing regions for pet food sales were **Latin America, Eastern Europe, and Asia Pacific, which continue to hold the best growth prospects for 2019-2022.** Many consumers in these regions will be entering the market of prepared dog and cat food for the first time in the coming years or trading up to better quality products.<sup>8</sup>

As shown in **Table 2**, although the United States led in global retail pet food sales during the period covering 2013-2017, Canada's compound annual

<sup>5</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>6</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>7</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>8</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

growth rate from 2018 to 2022 is forecasted to equal that of the US at 4.4 per cent. **Retail pet food sales in Canada were valued at nearly US\$1.7 billion in 2017.**

**Table 2: Largest Pet Food Markets in Western Europe and North America – Retail Sales (US\$ millions)**

Country	2013	2014	2015	2016	2017	CAGR* % 2013-17	Share % in 2017	CAGR[f] % 2018-22
US	26,842.2	27,489.5	28,509.3	29,682.0	31,084.2	3.7	36.8	4.4
UK	4,540.8	4,704.5	4,855.4	4,854.0	4,809.1	1.4	5.7	2.6
Germany	3,784.8	3,911.3	4,042.9	4,117.8	4,206.1	2.7	5.0	2.4
France	3,882.2	3,909.1	3,956.5	4,022.5	4,085.0	1.3	4.8	2.8
Italy	2,702.6	2,728.5	2,797.4	2,864.0	2,926.1	2.0	3.5	3.6
Canada	1,467.5	1,517.3	1,573.1	1,623.6	1,695.9	3.7	2.0	4.4
Spain	1,226.6	1,254.8	1,270.3	1,300.5	1,340.3	2.2	1.6	4.2
Netherlands	981.3	1,006.6	1,033.9	1,050.7	1,072.6	2.2	1.3	2.4
Belgium	615.4	632.7	652.2	673.8	696.9	3.2	0.8	4.6
Austria	537.9	559.6	582.6	604.8	626.2	3.9	0.7	2.7

Source: Euromonitor International, 2018

\*CAGR: compound annual growth rate

1: North America refers to Canada and U.S only; Mexico is included as part of the Latin American region.

f: Forecast

## Canada's Pet Population is Rising

Nearly half of all Canadian households have at least one dog or cat

Canadians love their pets. Over the last ten years the number of cats and dogs increased by about 10

per cent. In 2018, approximately **41 per cent of Canadian households (about 15 million<sup>9</sup> people) included at least one dog, and around 38 per cent (about 13 million<sup>10</sup> people) included at least one cat.**<sup>11</sup>

<sup>9</sup> Statistics Canada, <https://www150.statcan.gc.ca/n1/daily-quotidien/180927/dq180927c-eng.htm>

<sup>10</sup> Statistics Canada, <https://www150.statcan.gc.ca/n1/daily-quotidien/180927/dq180927c-eng.htm>

<sup>11</sup> <https://www.cahi-icsa.ca/press-releases/latest-canadian-pet-population-figures-released>

## Alberta Dog Ownership Rising

The dog and cat population in Alberta has increased significantly during the period covering 2007 to 2018. The cat population increased by 35 per cent (8.3 million cats in 2018) while the dog population increased by nearly 51 per cent (8.2 million dogs in 2018) during this time. This bodes well for the pet food industry in the province as the growth of the pet population results in increased demand for pet food.

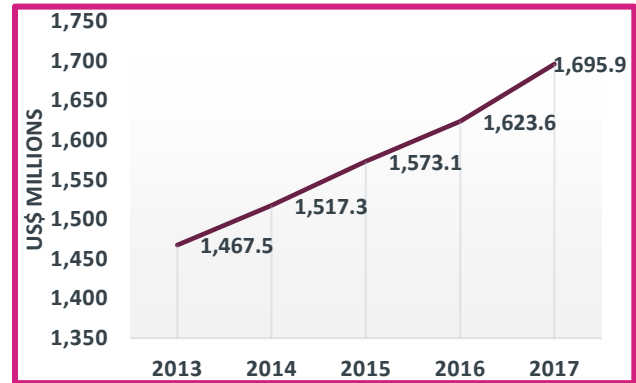
## Canadian Pet Food Sales Rising

**2017 Canadian Pet Food Sales = US\$1.7 billion**

The pet industry's growth can be attributed to the demographic shift from Baby Boomers to Millennials. According to Brendon Laing, co-founder of Furiendly, a mobile vet clinic, "Basically Millennials use pets as starter kids. They're pet parents, not pet owners. In fact, Millennials spend more on their pets on average, even though statistics show they don't have as much discretionary income as Baby Boomers. Many will take a job where they can bring their dogs to work, even it's less pay".<sup>12</sup>

As illustrated in **Figure 2**, Canadian retail pet food sales have been steadily rising since 2013. In 2017 **retail sales were valued at nearly US\$1.7 billion** and are expected to continue rising in the coming years as Millennials look to feed their pets premium healthy pet food.

**Figure 2: Canadian Pet Food Market Retail Sales (US\$ millions) – 2013 – 2017**



Source: Agriculture and Agri-Food Canada, <http://www.agr.gc.ca/eng/industry-markets-and-trade/international-agri-food-market-intelligence/reports/pathfinder-global-dog-and-cat-food-trends/?id=1535032183174>

## Pet Food Retail Sales and Trends

Generally, pet "parents" are looking for better quality products and believe that the food they give to their pets should be as good as the food that they consume.<sup>13</sup> Some of the current pet food trends and attributes that pet owners seek when purchasing pet food follow:

- **Humanization** - In developed markets pets are increasingly seen as family members and this trend is becoming widespread in emerging markets. Pet food has long mimicked human food, says John Owen, senior food analyst for market research firm Mintel. In 1959, for example, Gravy Train dog food was introduced so dogs could enjoy gravy too. As human tastes have grown more sophisticated, so have their demands for their pets, Owen said. For dogs, there are bags of organic, vegetarian and grain-free food.<sup>14</sup>

<sup>12</sup> <https://business.financialpost.com/entrepreneur/0703-biz-dd-pets-fpe>

<sup>13</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>14</sup> Canadian Grocer, The Associated Press, November 14, 2018 <http://www.canadiangrocer.com/top-stories/headlines/brands-responding-to-demand-for-natural-pet-foods-84113>



- **Premiumization** - The humanization of pets drives a global trend towards super-premium products, focusing on quality ingredients, including a greater interest in nutrients and protein, as well as claims related to social and ethical concerns, such as animal welfare and environmental sustainability. Innovations go from human-grade quality food to exotic flavors. In 2016, for example, Blue Buffalo launched Bayou Blend dog treats featuring alligator and catfish protein.<sup>15</sup>
- **Health and wellness** - Global trends which characterize the human food market have trickled down to pet food, including adoption of a wider notion of pet health and wellness. This trend is demonstrated by the diverse dieting regimes and the vast array of functional pet claims associated with foods that are allegedly good for digestion, for the skin, for the teeth, etc. Pet owners also take into account their pets' health, allergies, level of fitness and general wellbeing and therefore increasingly invest in pet dietary supplements and functional foods.<sup>16</sup>
- **Seniorisation** - the seniorisation trend addresses the fact that pets are living longer and have specific needs in terms of more functional foods.
- **Proteins** - Protein-rich diets are at the forefront. Grain-free diets are said to feed dogs or cats "inner animal", reconnecting them to their wild ancestors and helping them maintain good health. New and exotic protein sources, such as venison and boar, are also on the rise. On the other end of the spectrum, a number of vegan pet food products have also been launched, often containing ancient grains (such as amaranth) and superfoods/superfruits (such as cranberries).
- **Plant proteins** - are becoming very popular including sweet potato, lentils, tapioca, quinoa and peas. Algae are also being studied as a source of protein. New product development efforts include a hemp-based therapeutic dog food in the form of pet chews which is distributed by a BC medical marijuana company (True Leaf Pet) in pet stores across New Zealand.<sup>17</sup>
- **Insect proteins** - are generating interest and will remain a trend in the coming years. According to a recent article, when cultural barriers don't stand in the way, pet owners may accept insect-based ingredients in dog and cat food. Even in regions where taboos about eating insects exist, such as in the US or Europe, many pet owners have witnessed their dogs and cats hunting insects and are therefore more eager to accept these as a novel protein source in dog and cat food.<sup>18</sup>
- **Mission-based marketing** - Pet owners are interested in supporting pet food manufacturers that have demonstrated a commitment to social causes and organizations. Consumers want to know what a pet food company stands for ideologically (Petfoodindustry.com, 2018).<sup>19</sup>
- **Transparency** - In a recent report,<sup>20</sup> pet food experts noted transparency and sustainability as two of the top trends continuing to redefine the industry. With customers keeping an eye on pet food practices at all levels, it's no longer enough to just put a superior product on the shelves.<sup>21</sup>
- **Natural** - Demand for healthy, natural food is extending from humans to their pets. As consumers become more aware of what they

<sup>15</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>16</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>17</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>18</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>19</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>20</sup> Petfood Industry feature focusing on 2018 trends

<sup>21</sup> <https://www.petfoodindustry.com/blogs/9-trending-pet-food/post/6918-understanding-the-activist-pet-food-customer-in-2018>

eat, they're also becoming more aware of what they're feeding their pets. Young consumers are driving the trend in natural pet food and it is expected that the trend will keep growing and lead to even more "natural" innovations, like freeze-dried raw food. The natural pet products market share in the US more than doubled to 6.5 per cent between 2013 and 2017, according to Nielsen, a data company. Nielsen said sales of pet food free of genetically modified ingredients jumped 29 per cent from 2017. Sales of pet food without artificial preservatives and colors grew by four per cent.<sup>22</sup>

- **Online Shopping** - Home Delivery – Similar to the trend of consumers using home food delivery services, home delivery of pet food is on the rise. Nineteen per cent of US dog owners and 20 per cent of US cat owners had dog or cat food delivered regularly to their homes in 2017.<sup>23</sup> This trend is expected to increase over time.

## New Pet Food Products



Pet food is big business and from March 2017 to March 2018 there were 8,238 pet food products launched globally, with the greatest number of introductions occurring in the dog snacks and treats

<sup>22</sup> Canadian Grocer, The Associated Press, November 14, 2018 <http://www.canadiangrocer.com/top-stories/headlines/brands-responding-to-demand-for-natural-pet-foods-84113>

category, followed by wet cat food and wet dog food. Some 2,959 products contained ingredients with an animal origin compared to 2,751 products with vegetable-based ingredients, 1,490 nutritional, 1,385 sugar-based, and 632 soy-derived.<sup>24</sup> Examples of some of these products follows:

- **Grain Free Fish Luau Dry Dog Food** (Canada) - Tiki Dog Aloha Petites Grain Free Fish Luau Dry Dog Food is said to be suitable for small dogs and provides nutrition in bite size kibbles with the following: high quality protein with real herring as the first ingredient, plus flavorful chicken liver; nutrient-rich superfoods like coconut, salmon oil, and ground whole flaxseed; omega 3 fatty acids to support a healthy immune system; grain-free carbohydrate sources like whole peas and lentils; and omega 6 fatty acids for skin and coat health.
- **Chicken, Vegetables & Herbs Soup for Pets** (India) - Robust Chicken, Vegetables & Herbs Soup for Pets is said to be easy to prepare, features high digestibility, and can be prepared by adding boiling water. It is positioned as a healthy alternative and has been prepared from fresh vegetables, chicken and herbs. It also comes with oats offering high soluble fibre, which improves digestion and boosts immunity.
- **Chicken Sauce for Dog and Cat Food** (Colombia) - Nutrello Salsa Saborizante para Aplicar al Alimento Seco Pollo (Chicken Sauce for Dog and Cat Food) is made with natural, fresh ingredients, and is said to enhance the flavor, improve the texture, and facilitate the consumption of dry food. It is suitable for all ages and breeds.<sup>25</sup>

<sup>23</sup> <https://www.petfoodindustry.com/blogs/7-adventures-in-pet-food/post/7058-pet-food-purchases-parallel-global-consumer-buying-trends>

<sup>24</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

<sup>25</sup> AAFC. Pathfinder – Global dog and cat food trends. 2018

## What Does all this Mean?

**Growth** is expected to continue in the global pet food market offering opportunities for Alberta farmers and processors to capitalize on this lucrative market. Pet food exporters may wish to target Western Europe and North America as these regions continue to offer growth. Latin America, Eastern Europe, and Asia Pacific also offer great opportunity and are the fastest growing regions for pet food sales.

**Millennials** tend to spend more on their pets than Baby Boomers. Therefore, in addition to other demographic groups, pet food manufacturer's marketing strategies should target Millennials utilizing tools such as social media to emphasize sound animal welfare practices as well as environmental sustainability.

**Humanization** has been a key trend in the global dog and cat food sectors for years. Pet food manufacturers should keep abreast of growing trends in the human food market as demand for products containing these ingredients will transcend into the pet food market.

Pet owners are looking for convenience and the ability to purchase pet food online with home delivery. Pet food manufacturers may wish to **invest in E-commerce** infrastructure to help to increase their market-share.

To appeal to pet owners who support companies **committed to social causes and organizations**, pet food manufacturers may identify their ideological philosophy and market their support for social causes. Pet food manufacturers should also ensure transparency in their production process as well as throughout the entire supply chain and adhere to, and market, their sound animal welfare and environmental practices.