

January 2007

Petfood Industry

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Top



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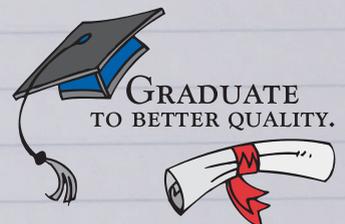
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Photo by John Grossman

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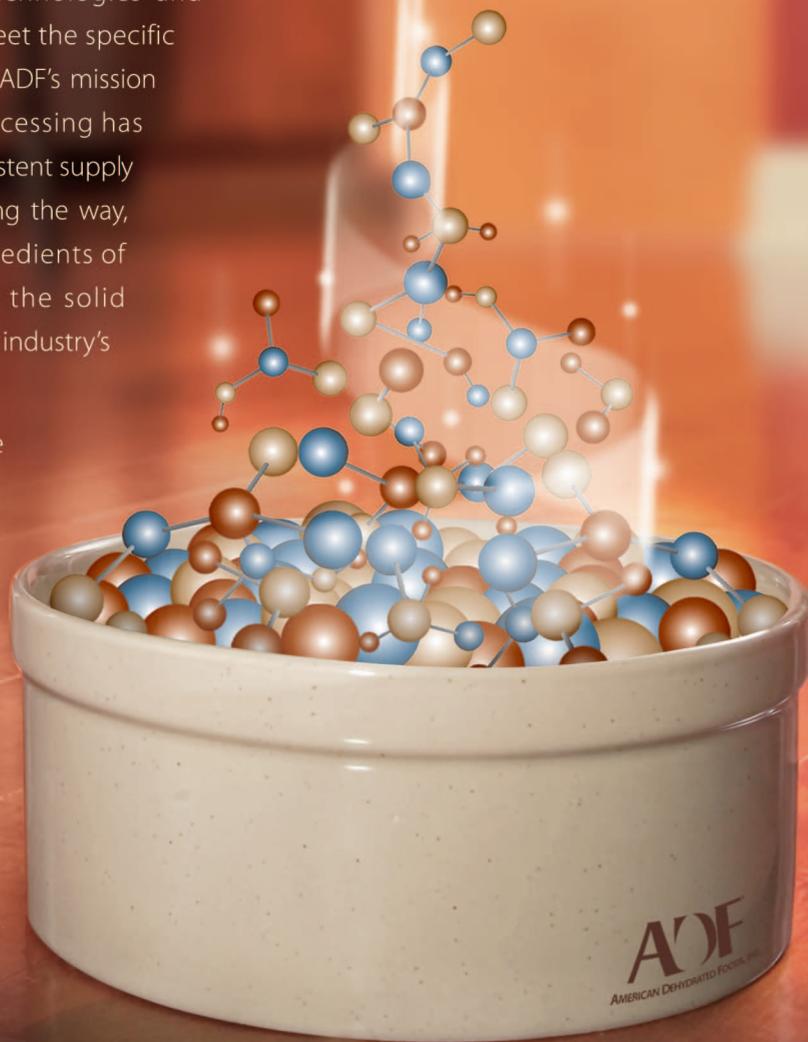
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The petfood market in 2010

Remarkable shifts in buying behaviors are occurring in the petfood market worldwide. These shifts are diverse and encompass a wide range of geographic markets and product categories. But, notes Euromonitor, they have two primary, inter-related trends in common: pet humanization and an increasing interest in pet nutrition and health.

These two trends stem from:

- ▶ Economic progress;
- ▶ Demographic changes;
- ▶ Changing government positions; and
- ▶ New media attitudes.

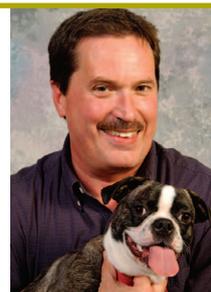
Also, the two primary trends are being encouraged by manufacturers' efforts to generate growth through product innovation and new marketing strategies, particularly in mature core markets.

Euromonitor's November 2006 report, *The World Market for Petfood and Pet Care Products* (www.euromonitor.com), includes several speculations as to what the industry will look like in 2010, including:

- ▶ **North American and Western European shares will drop.** In 2010, these markets will remain the most valuable, accounting for 72% of the global value of petfood and pet care products. However, this will be down from 75% in 2005. The effect

The two primary trends are being encouraged by manufacturers' efforts to generate growth.

— Tim Phillips



of market maturity is expected to be compounded by intense pricing competition in the retail environment.

- ▶ **Segments will blur.** By the end of the forecast period, the lines between the premium and mass market segments are likely to have become extremely blurred. Major manufacturers in the mid-priced segment, including world leaders Nestlé and Mars, are increasingly looking to reposition their core, mid-priced brands with a more premium-oriented image.
- ▶ **Functional products will boom.** By 2010 demand for health-oriented products is expected to have developed significantly in terms of sophistication, encouraged by manufacturers' efforts to generate growth in mature markets through product innovation. Functional petfood and pet products targeting specific conditions and bodily systems are likely

to be widely available, especially as health-oriented innovation increasingly enters the mass market.

- ▶ **Pet humanization will increase in influence.** This will be spurred by reduced household sizes and the erosion of traditional community bonds. The increasing tendency to perceive pets in anthropomorphic terms is leading manufacturers of petfood and pet care products to increasingly track trends in human product types.
- ▶ **Shares of emerging markets will climb.** Emerging markets will account for a significantly higher proportion of global petfood and pet care products' value sales in 2010. Markets such as China and Russia are set to see strong growth, driven by rising disposable income, improved distribution and changing consumer attitudes toward domestic animals.

Petfood sales up 14%

Euromonitor predicts the global petfood and pet care products market will grow 15.1%, from US\$58.2 billion in 2005 to US\$67.0 billion by 2010. Global petfood (dog, cat and other) sales will grow 14%, from US\$45.2 billion in 2005 to US\$51.5 billion by 2010.

Dr. Phillips is the editor of Petfood Industry magazine. He can be reached at Tel: +1.815.734.5644, E-mail: tphillips@wattnet.net.

Sales forecasts by region			
Region	2005	2010	%Change
Western Europe	\$21.4	\$23.5	10.1%
Eastern Europe	1.6	2.7	72.9
North America	22.2	24.7	11.3
Latin America	3.9	5.5	40.2
Asia Pacific	7.0	7.9	13.8
Australasia	1.7	2.0	17.4
Africa/Middle East	0.56	0.69	22.9
World	\$58.3	\$67.0	15.1%

Forecast sales of petfood and pet care products: Value US\$billion 2005 vs. 2010. Source: Euromonitor International.



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Industry News

US/Canadian trade meeting held

The Pet Food Institute (PFI), in conjunction with the Pet Food Association of Canada, recently brought together representatives from both the US and Canadian petfood industries to meet with officials from USDA Animal and Plant Health Inspection Service and the Canadian Food Inspection Agency to share concerns on the possible trade disruptions



associated with each government's rules to combat BSE. Canada is the US's largest trading partner for petfood, with

2005 US exports reaching US\$338 million. Thus, rules currently under consideration in Canada that would require individual health certificates for each petfood shipment are causing concern to industries on both sides of the border.

"This was a wonderful opportunity to attempt to harmonize requirements where possible and reduce the fiscal impact of the final rules on both the respective governments and the industry," said PFI vice president of technical and regulatory affairs, Nancy Cook. "We very much appreciate the willingness of the agencies to come together and meet with us to help work through these issues."

Representatives from other groups with members interested in petfood trade included the American Pet Products Manufacturers Association and the American Feed Industry Association. Look for further information on this meeting and other regulatory issues in the February issue of *Petfood Industry*.

Knowledge yields profits

Petfood Forum 2007, April 16-18, will be in Chicago, Illinois, USA. It is the place for petfood professionals to most effectively gain knowledge about the petfood industry. At Forum, you will benefit from face-to-face contact with symposium speakers, suppliers and your professional peers. You will find useful ideas and contacts that can yield profits for your company.

Here is a partial list of topics and speakers. For a complete list, go to www.wattnet.com/petfoodforum.



Marketing & production sessions

- **Executive roundtable** Doug Cahill, Mars; Ladd Hardy, Nutro; Marcel Blok, Breakthrough; and Brian Connolly, Castor & Pollux;
- **In-depth, exclusive market research** David Lummis, Packaged Facts;
- **Popular functional ingredients** Greg Aldrich, PhD, Pet Food & Ingredient Technology;
- **Production—what's new and innovative** Sajid Alavi, PhD, Kansas State University;
- **The future of petfood retailing** Jon Haupton, Willard Bishop Consulting;
- **Global sales trends** Elizabeth Higgins, Euromonitor; and

- **Scrutinizing superpremium petfoods** Nancy Kerns, *Whole Dog Journal*.

Nutrition & regulatory sessions

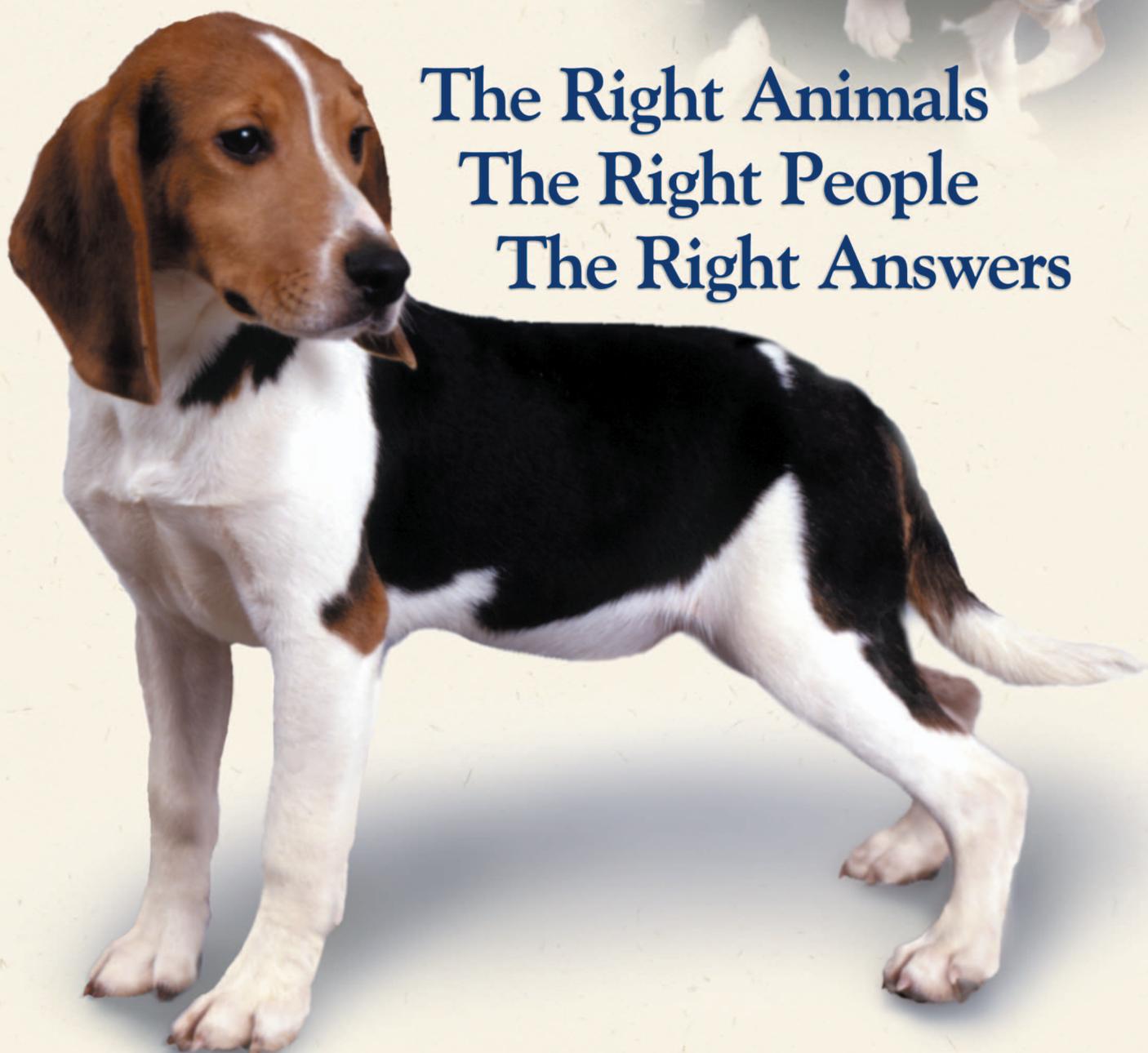
- **Genomics—customized diets** Keith Murphy, DVM, PhD, Texas A&M University;
- **New and significant global regulations** Terry Plant, regulatory consultant;
- **Cognitive palatability testing** Joseph Araujo, PhD, CanCog Technologies;
- **Obesity prevention** Sean Delaney, DVM, Davis Veterinary Medical Consulting;
- **US regulatory report** David Dzanis, DVM, PhD, Dzanis Consulting;
- **Nutrition for skin and gut health** Sally Perea, DVM, Davis Veterinary Medical Consulting; and
- **Innovative treats** Ken Meyers, CEO of Chomp Inc.

For details and to register, go to www.wattnet.com/petfoodforum or contact Marcia Riddle (attendees) at E-mail: mriddle@wattnet.net; Tel: +1.815.734.5633 or Ginny Stadel (exhibitors) at E-mail: gstadel@wattnet.net; Tel: +1.815.734.5691.

Rinaldo Franco Spa celebrates 50th anniversary



Rinaldo Franco Spa, an Italian pet accessories business, celebrated its 50th anniversary recently. Rinaldo Franco Spa, founded in Milan in 1956, was one of the first companies to enter the Italian pet accessory trade.



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Wal-Mart continues commitment to reduce packaging

Wal-Mart Stores Inc. recently announced plans to continue its commitment to reducing packaging across its global supply chain by 5% by 2013. Wal-Mart's packaging scorecard is a measurement

tool that allows suppliers to evaluate themselves relative to other suppliers, based on specific metrics. The metrics evolved from a list of favorable attributes known as the "7 R's of Packaging:" remove, reduce, reuse, recycle, renew, revenue and read.



Suppliers will receive an overall score relative to other suppliers, as well as relative scores in each category. On February 1, 2007, Wal-Mart will share the scorecard with its global supply chain of more than 60,000 suppliers. As of February 1, 2008, Wal-Mart will begin using the scorecard to measure its entire supply chain.

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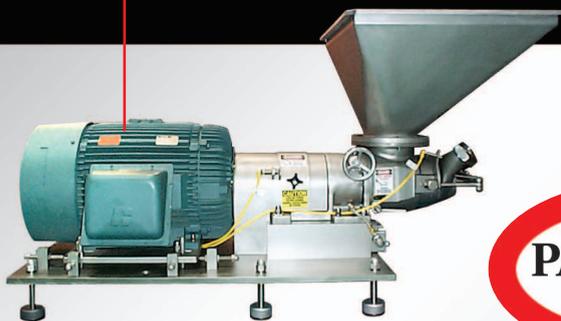
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Nestlé to buy Green's for US\$107 million

Nestlé SA has agreed to buy Australia's Green's Foods Ltd. for US\$107 million to gain a larger slice of Australia's petfood market. Green's petfood business sells Supercoat dog and cat foods. As part of the deal, Green's will sell its consumer food unit and its stake in house-brand dog food label Bestcare to Guinness Peat Group Plc. and CVC Capital Partners Ltd. The deal is expected to be complete by March 2007.

Provimi buys French private label company; releases sales figures

The Provimi Group recently acquired the assets of SESA, a private label petfood company in France. The production assets of SESA have been acquired by the newly created entity Provimi Pet Food France. The production facility is located in Sens, south-east of Paris.

The company was founded in 1992 and employs around 60 staff members. It produces both dry dog and cat food and semi-moist dog food.

The Provimi Group also recently announced its turnover for the first nine months of 2006. Sales increased by 14.6% to EUR1.3 million (US\$1.7 million). Volumes and sales showed an increase in almost all regions, with particularly strong growth in North America, developing and emerging countries and European petfood operations.

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Beneful wins Pack Expo Selects awards

Pack Expo International attendees recently elected the package developed for Beneful Prepared Meals as the winner of the inaugural Pack Expo Selects awards program. The Selects program was comprised of a special display and

electronic voting system that allowed tradeshow attendees to recognize the year's most innovative packaging designs by voting for their favorite nominee.

Each of the 15 finalist packages were



developed, designed, converted or produced by one or more Pack Expo International 2006 exhibitors. Contributing exhibitors to the Beneful Prepared Meals product include Alcoa Packaging, Hans Rychiger AG, PDC International Corp. and Printpack Inc. The Meow Mix Market Select wet cat food cup appeared as one of the top five finalists for the award.

Columbia Machine announces new president and CEO

Columbia Machine Inc. has announced the appointment of Rick Goode as its new president and CEO, effective October 1, 2006. Goode has 11 years of experience with the company, most recently as executive VP.

Fancy publications name their top product award winners



Chomp Inc.'s new training product, Sniffers101, has been awarded a Best New Product Award from the editors of *Dog Fancy* magazine. Sniffers101 was one of nine products chosen and the only consumable pet product selected as a winner for this publication. Sniffers101 was cited for its product innovation and creativity.

Each year, *Cat Fancy* magazine chooses the winners of their Editors' Choice Awards. Castor & Pollux Pet Works was chosen to receive its third and fourth awards in 2006. The award was given to the company's new Organix organic canned feline formulas and the new Natural Ultramix Adult Feline Indoor Formula.



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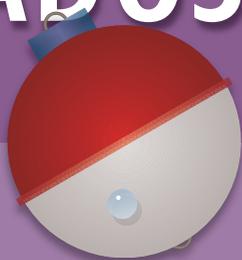
TRACY TANNER, B.S., BOTANY
Senior Researcher, Kemin Innovation Center

BILL GAMBLE, Ph.D., ORGANIC CHEMISTRY
Senior Researcher, Kemin Innovation Center

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Editor's note: Submissions and feedback are welcome. Contact Jenny Kvamme, Tel: +1.815.734.5637, Fax: +1.815.734.5649, E-mail: jkvvamme@wattnet.net.



« Real Food Toppers whole food treats

Complete Natural Nutrition Inc. has announced the launch of a new line of whole food pet treats, Real Food Toppers. The treats are freeze-dried selections of meat, vegetables and fruit. The Toppers come in eight flavors including chicken breast, wild salmon, beef sirloin, beef liver, holiday (with turkey and cranberries), fish 'n chips (cod and potato) and more. Toppers can be fed as a dry treat or mixed into the daily diet. www.realfoodtoppers.com

Pedigree Super Chew »

New Pedigree Super Chew is a long-lasting meaty treat for dogs, says the company. Super Chew provides an alternative to traditional chew toys such as bones and rope toys. The chew is made to be a highly digestible and nutritionally complete treat. It is fortified with vitamins A and E, calcium and phosphorus, while containing only 2% fat. www.pedigree.com



« Slow-cooked taste in a can

Iams' Slow-Cooked canned recipes are available in Entrées, Chunks and Small Bites varieties for dogs and Entrées, Slices and Flakes for cats. Various flavor combinations, textures and formulas are available for every lifestage, according to the company. Iams says real broth is used in its Slow-Cooked canned recipes. www.iams.com

Sauce mix adds flavor and nutrition »

Complete Blend Dog Formula is the first in a new line of sauce mixes from Pet Nutrition Products. When completed, the line will include various formulations for both dogs and cats and will be designed to address every lifestage and activity level. According to the company, Complete Blend is a powdered mix of 100% fruits and vegetables that, when mixed with water, makes a nutritious and tasty dog food sauce. www.petnutritionproducts.com





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SALES LEADERS

Company	Market share %		Retail sales (US\$ billions)		2005 vs. 2004 retail sales %
	2004	2005	2004	2005	
Mars Inc.	25.4	25.2	9.94	10.26	3.2
Nestlé SA	24.1	23.7	9.45	9.65	2.1
Procter & Gamble Co.	6.8	6.9	2.68	2.82	5.2
Colgate-Palmolive Co.	6.2	6.2	2.42	2.54	4.9
Del Monte Foods Co.	3.6	3.5	1.4	1.43	2.1
Agrolimen SA	1.3	1.4	0.49	0.56	14.3
Nutro Products Inc.	1.3	1.3	0.51	0.54	5.1
Unicharm Corp.	0.8	0.8	0.31	0.32	3.2
Nisshin Seifun Group Inc.	0.5	0.5	0.21	0.22	4.7
Nippon Flour Mills Co. Ltd.	0.5	0.4	0.19	0.18	-5.2

Table 1. Market shares, approximate global dog and cat food sales (retail US\$) and percentage of change from 2004 to 2005. Figures for Mars include S&M NuTec LLC, acquired in 2006; figures for Del Monte include Meow Mix Co., acquired in 2006. Source: Euromonitor International.

BY JENNY KVAMME, DVM, AND
DEBBIE PHILLIPS-DONALDSON

The

Why these companies lead the global petfood industry in sales, growth and innovation

GROWTH LEADERS

Company	2000-2005 total growth %	2000-2005 CAGR%	2000-2005 value growth (US\$ billions)
Provimi BV, Rotterdam, Netherlands, www.provimi.nl	55,778.2	254.4	57.6
Agrolimen SA, Barcelona, Spain, www.affinity-petcare.com	22,632.2	196.0	559.0
S&M NuTec LLC (division of Mars Inc.), McLean, Virginia, USA, www.mars.com	15,203.7	173.5	395.6
Palmera SpA, Lacchiarella, Italy, www.palmera.it	272.1	30.1	44.6
Nestlé SA, Vevey, Switzerland, www.nestle.com	125.6	17.7	5,375.0
Prosper de Mulder Ltd., Doncaster, UK, www.pdm-group.co.uk	111.2	16.1	23.5
Total Alimentos SA, Tres Coracoes, Brazil, www.totalalimentos.com.br	99.5	14.8	63.6
Vitakraft-Werke Wührmann & Sohn, Bremen, Germany, www.vitakraft.de	93.5	14.1	54.1
V.I.P. Petfoods Pty. Ltd., Yatala, Queensland, Australia, www.vippetfoods.com.au	80.3	12.5	27.2
Morando SpA, Andezeno, Torino, Italy, www.morando.it	71.7	11.4	18.5

That the 10 companies profiled here led the petfood industry in 2005 is no surprise to anyone. After all, the members of this top group don't change much from year to year; typically only mergers and acquisitions affect who the players are and their position in the rankings.

But what about the stories behind the rankings and numbers? How have these companies achieved their elite status?

Dominating the market—again

In 2005, the most recent year for which complete data were available at press time, global dog and cat food sales amounted to US\$42.1 billion, according to Euromonitor International. As in past years, Mars Inc. and Nestlé SA dominated that market, grabbing 25.2% and 23.7% shares, respectively.

Table 2. Global leaders for dog and cat food sales by cumulative percentage growth, compound annual growth rate and value (US\$ billions), 2000 to 2005. Source: Euromonitor International.

TOP



Both figures reflect slight declines, even with the Mars percentage including the share for S&M NuTec LLC, the maker of Greenies treats acquired by Mars in 2006. But in terms of value (retail sales), both major players showed growth, driven by an increasing commitment to the premium segment, says Euromonitor in its November 2006 report, the *World Market for Pet Food and Pet Care Products*.

“The two leading players ... have established a truly global presence,” the report reads. “Broad brand portfolios, with a strong focus on mid-priced and economy brands distributed through mainstream grocery channels, have enabled the companies to build a strong consumer base in both developed and emerging markets. Indeed, the two companies have been instrumental in driving the development of dog and cat food sales in emerging regions through their extensive distribution networks and aggressive marketing activity.”

Premiums, superpremiums rule

After Mars and Nestlé, market share and retail sales dropped significantly to number three Procter & Gamble Co. with its Iams and Eukanuba brands. It was followed closely by Colgate-Palmolive, parent company of Hill’s Pet Nutrition.

Both companies have also achieved a global presence, Euromonitor says, but their focus on superpremium petfoods means their sales and growth lie mainly

in developed markets more likely to have consumers with purchasing power. Fortunately for Iams and Hill’s, such consumers have continued to trade up to more expensive foods for their pets.

At number seven, Nutro Products Inc. also increased sales due to its superpremium products, mainly in its US base. In between, Del Monte Foods Co. came in at number five and Agrolimen SA at number six. Agrolimen enjoyed the largest sales increase from 2004 of the top 10 manufacturers, riding geographic expansion in its native region, Western Europe.

Rounding out the top 10 were three Japanese companies: Unicharm Corp., Nisshin Seifun Group Inc. through its Nisshin Petfood division and Nippon Flour Mills Co. Ltd. through its Nippon Pet Foods. As the world’s second largest market for pet products (behind the US), Japan saw significant growth thanks to pet owners’ increasing interest in the nutritional value of petfoods, functional foods and human-style products, according to Euromonitor. However, the three companies profiled here had flat or declining shares of the global market.

A growing and innovative industry

Table 1 includes 2004 and 2005 market shares and retail sales for the top 10 companies. The 2005 retail figure is repeated in the profile of each company in

this article, but we’ve also included data where available.

Table 2 lists petfood company leaders in growth, while Table 3 (p. 20) lists innovation leaders as measured by new product development. Obviously, these two areas go hand in hand.

Most experts predict the petfood industry will continue to grow worldwide through at least 2010. Though growth is expected to be more sluggish in developed regions, it will continue because of ongoing trends affecting product development—more people treating their pets like human family members, higher disposable incomes and a desire for convenience, including with packaging.

In emerging markets, such as Eastern Europe, Latin America and China, growth is exploding and should continue at a rapid pace. As consumers in these markets increase their purchasing power, they are more likely to place value on pet nutrition, thus transitioning from table scraps and homemade meals to prepared petfoods. Simultaneously, petfood companies are expanding distribution into these areas, as are pet-related retail outlets.

All this promises a positive future for the entire industry, including the 10 leaders. Read on to find out what they’re doing to shape that future for themselves.

1 Mars Inc. (Mars Petcare)

World headquarters: McLean, Virginia, USA

Approx. 2005 global retail sales: US\$10.26 billion

Officers: Doug Cahill, president, Mars Petcare US

Top brands: Pedigree, Whiskas, Waltham, Cesar, Sheba, Kitekat

New products: Pedigree Super Chew, Greenies

Websites: www.mars.com; www.waltham.com; www.pedigree.com

Mars operates three core businesses (snack food, pet care and main meal food) in most parts of the world. Acquisitions was the name of the game in 2006, as Mars acquired S&M NuTec, maker of popular pet treats sold under the Greenies brand, and Doane Pet Care Enterprises Inc., previously known as the world's largest supplier of private label petfoods. Doug Cahill, president and CEO of Doane, was chosen to run Mars' North American pet care business in Nashville, Tennessee, USA, where Doane was headquartered. In late March 2006, Doane reported sales of US\$991.6 million for fiscal year 2005, down 5.7% from a year earlier. Doane's European business was sold to another party.

In the past year, a new easy-to-digest version of Greenies was released for adult dogs to help clean teeth and freshen breath. According to Mars, the formula is based on patent-pending science rooted in dog biology.

2 Nestlé SA (Nestlé Purina PetCare)

World headquarters: Vevey, Switzerland

Approx. 2005 global retail sales: US\$9.65 billion

Officers: W. Patrick McGinnis, CEO, Nestlé Purina PetCare; Terence Block, president, PetCare NA; Rock Foster, CFO

Top brands: Purina, Friskies, Alpo, Beneful, Fancy Feast, Mighty Dog, Pro Plan, Beggin' Strips, Busy Bone, Bakers,

Felix, Winalot, Go Cat, Gourmet Gold, Vital Balance, Vitalife

New products: Beneful Prepared Meals, Fancy Feast Elegant Medleys, Purina ONE Natural Blends, Naturals by Purina Cat Chow brand

Websites: www.nestle.com; www.purina.com

Employees: 7,000

During the first nine months of 2006, net sales for Nestlé amounted to US\$5.69 billion (CHF72.2 billion), an increase of 9.1% over the same period in 2005. The PetCare segment achieved 6.9% organic growth. PetCare category sales were US\$4.36 billion (CHF5.53 billion). Growth in North America continues to accelerate.

According to Keith Schopp, vice president of public relations, the com-

pany's keys to growth include innovation based on humanization and a focus on the consumer. Growth was also strong in Europe, with strategic brands such as Bakers, Purina ONE, Gourmet and Beneful doing particularly well.

Many successful new products were launched by Nestlé Purina in 2006. One of the most innovative was Beneful Prepared Meals, a new family-style food for dogs with such eye appeal that it warranted innovative packaging to clearly show the product on the store shelf.

Nestlé Purina also released natural products, plus Fancy Feast Elegant Medleys wet cat food in a shelf-ready tray pack. This packaging eliminates the need for single-can stocking and improves the shopping experience, according to Nestlé.

Innovation leaders

Company	New SKUs 2003-2006
Nestlé SA, Vevey, Switzerland, www.nestle.com	919
Mars Inc., McLean, Virginia, USA, www.mars.com	844
Procter & Gamble Co., Cincinnati, Ohio, USA, www.pg.com	323
Bravo Raw Diet, Vernon, Connecticut, USA, www.bravorawdiet.com	175
Del Monte Foods Co., San Francisco, California, USA, www.delmonte.com	156
Drs. Foster & Smith, Rhinelander, Wisconsin, USA, www.drsofostersmith.com	152
Petrapport Inc., North Bergen, New Jersey, USA, www.beefeaters.com	137
Inaba Pet Food, Yui, Shizuoka Prefecture, Japan, www.inaba.com	107
Castor & Pollux Pet Works, Clackamas, Oregon, USA, www.castorpolluxpet.com	79
Nisshin Seifun Group, Tokyo, Japan, www.nisshin.com	74
Qingdao Lihong Daily Products Co. Ltd., Qingdao, Shandong, China	72
Merrick Pet Care, Amarillo, Texas, USA, www.merrickpetcare.com	63
Unicharm Corp., Tokyo, Japan, www.uc-petcare.co.jp	61
Colgate-Palmolive Co., New York, New York, USA, www.colgate.com	59
Nutro Products Inc., City of Industry, California, USA, www.nutroproducts.com	59
Ahold, Amsterdam, Netherlands, www.ahold.com	54
Wilderness Foods Ltd., Mt. Maunganui, New Zealand, www.wildernessfoods.co.nz	52
Old Mother Hubbard, Chelmsford, Massachusetts, USA, www.oldmotherhubbard.com	50
Agrolimen SA, Barcelona, Spain, www.affinity-petcare.com	45
Natural Balance Pet Foods Inc., Pacoima, California, USA, www.naturalbalance.net	44

Table 3. Total number of new product SKUs for 2003 to 2006 from petfood manufacturers and marketers worldwide. Includes treats. Source: Datamonitor.



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3 Procter & Gamble Inc. (P&G Pet Care)

World headquarters: Cincinnati, Ohio, USA (P&G Pet Care: Dayton, Ohio, USA)

Approx. 2005 global retail sales: US\$2.82 billion

Top brands: Eukanuba, Iams

New products: Iams Smart Puppy, Iams Small and Toy formulas, Slow-Cooked can recipes

Websites: www.pg.com; www.iam.com; www.eukanuba.com

As a company, Procter & Gamble (P&G) had net sales of US\$68.2 billion in the year ending June 30, 2006. This value was an increase of 20% versus the same period last year. The major brands produced are Iams and Eukanuba. Both brands include superpremium dog and cat foods and treats, with Iams sold worldwide in most channels (including grocery and mass merchandisers), while Eukanuba is sold exclusively in pet specialty stores and veterinary clinics in North America.

Net sales for the global business unit that includes the Pet Health, Snacks and Coffee segments were US\$4.38 billion for the year ending June 30, 2006. This is 6% of P&G's company sales, which was up 2% from the same period last year. Sales in Pet Health were down slightly due to strong competitive activity in North America and Western Europe, according to the company's annual report.

4 Colgate-Palmolive Co. (Hill's Pet Nutrition)

World headquarters: New York, New York, USA

Approx. 2005 global retail sales: US\$2.54 billion

Officers: Robert C. Wheeler, CEO, Hill's Pet Nutrition; Neil Thompson, president, Hill's International; P. Justin Skala, president, Hill's North America

Top brands: Hill's Science Diet, Hill's Prescription Diet

Websites: www.colgate.com, www.hillspet.com

Main plants/facilities: five facilities, plus more than a dozen offices worldwide

Number of employees: 2,500, more than 170 veterinarians

Founded in 1939 by a veterinarian, Hill's Pet Nutrition has been part of the global consumer goods powerhouse Colgate-Palmolive since 1976.

According to Colgate's 2005 annual report, Hill's increased unit volume by 4% that year and sales and operating profit by 6%. It did this via product innovation, including large breed and small bites extensions of its Science Diet Lamb & Rice Recipe line and Prescription Diet Canine j/d, based on the science of nutrigenomics. Data from Datamonitor show Colgate/Hill's ranking 14th globally in new product launches from 2003 to 2006 (Table 3).

Through the third quarter of 2006, Colgate reported all five of its operating divisions—pet nutrition, plus four geographic divisions of its oral, personal and home care products—experienced sales and profit increases. This was supported by record advertising spending, according to the *Colgate's World Fact Sheet* on the company website.

Robert Wheeler, CEO of Hill's, expects growth and new product development to continue not only for his company but also the petfood industry in general. "We will see the pace of product innovation continue," he told *Petfood Industry* last year. "As we learn more about the benefits of good nutrition, we will see an increase in products designed to keep pets healthy."

5 Del Monte Foods

World headquarters: San Francisco, California, USA

Approx. 2005 global retail sales: US\$1.43 billion

Officers: Jeffrey M. Watters, senior VP, pet products

Top brands: 9Lives, Cycle, Gravy Train, Kibbles 'n Bits, Nature's Recipe, Reward, Skippy, Meow Mix, Alley Cat, Milk-Bone, Jerky Treats, Meaty Bone,

Pounce, Pup-Peroni, Snausages

New products: Meaty Bone Denta Delicious, Snausages Roverolis, Canine Carryouts Pizza flavor, Kibbles 'n Bits Brushing Bites

Plant locations: Bloomsburg, Pennsylvania, USA; Lawrence, Kansas, USA; Decatur, Alabama, USA; Buffalo, New York, USA

Employees: 7,500

As a result of recent acquisitions, Del Monte has added the Meow Mix, Alley Cat and Milk-Bone brands to its pet products portfolio. Del Monte also produces private label petfood products. The company has market shares of 8.8% in the dry dog food category, 7.3% in wet dog, 4.5% in dry cat food, 19.6% in wet cat food, 38.8% in the chewy dog snack category, 11.8% in the biscuit/crunchy dog snack and 20% in the cat treats category. During fiscal 2006, Wal-Mart was Del Monte's top customer, representing approximately 30% of the company's gross sales and an even higher percentage of sales for the pet products business.

Pet products are primarily manufactured at four of Del Monte's production facilities, located in the US and American Samoa. The company also uses a limited number of third-party co-packers and re-packers located in the US and Thailand to supplement production capacity. The company operates a R&D facility in Terminal Island, California, USA, where it develops product lines and researches products for the petfood business.

6 Agrolimen SA (Affinity Petcare SA)

World headquarters: Barcelona, Spain

Approx. 2005 global retail sales: US\$562 million

Officers: Carlos Argenté, CEO/VP marketing; Franc Andreu, operations managing director; Francesc Blanch, VP R&D; Patricia Larumbe, VP business development

Top brands: Affinity, Ultima (UK), Rubadub (snacks/treats), Brekkies, Brekkies Excel (cat), Advance, Advance Veterinary Diets

New products: Ultima, Advance Special Puppy Care, Advance Sterilized (12 new dog foods, 10 new cat foods, three new snack/treats)

Websites: www.affinity-petcare.com

Plant locations: one plant in Spain, two in France

Employees: 720

Affinity offers a wide range of products, from special veterinary diets to superpremium foods. Despite its size, the company distributes its products within a limited area geographically, mainly the European Union (EU). Affinity operates in the EU as if it was a single country. This facilitates a limited cost structure and greater visibility to its customers, competitors and consumers.

Affinity is focused on organic growth in the EU. It is looking to expand selectively in markets with good potential. The company sees future growth opportunities through increased distribution. In the countries where Affinity is not a leader, increased advertising support is helping brands launched during the last three years to gain awareness and recognition with consumers.

In 2006, Affinity introduced 12 new dog foods, one new treat/snack product for dogs, 10 new cat foods and two new cat treats/snacks. A new brand, Ultima, was introduced to the UK market as Affinity's superpremium brand in the grocery channel. It is currently the third best-selling dry dog product in the grocery channel and is closing the gap as the second best-selling dry cat product in this channel.

According to Carlos Argente, CEO/VP of marketing, "We strive to be known for taking care of the well-being of dogs and cats. In relation to our trade partners, we strive to be known for innovations and value creators. Where we are not leaders, we would like to be perceived as the challengers in the category."

7 Nutro Products Inc.

World headquarters: City of Industry, California, USA

Approx. 2005 global retail

sales: US\$536 million

Officers: David Kravis, CEO; Mike Satterwhite, executive vice president; Ladd Hardy, senior vice president, marketing

Top brands: Max Dog, Ultra Dog, Max Cat Gourmet Classics, Natural Choice Complete

New products: Ultra Large Breed dog food, Ultra Small Breed dog food, Natural Choice Whole Brown Rice & Lamb Senior dog food, Natural Choice Healthy Desserts dog treats, Natural Choice Small Bites Lite and Senior dog food, Max Cat Gourmet Classics Pouches

Websites: www.nutroproducts.com, www.ultraholistic.com

Main plants/facilities: Victorville, California, USA, and Lebanon, Tennessee, USA

Celebrating its 80th anniversary in 2006, privately owned Nutro Products Inc. has staked its success and continued growth on a commitment to the pet specialty channel. "Nutro creates a true partnership with pet specialty, working hard to provide retailers with the tools necessary to compete in a crowded marketplace with the best combination of people, products and marketing programs," says Margaret Goodall, director of marketing. "We work hard to help bring consumers into pet specialty stores, we educate store employees to speak knowledgeably about our foods, and finally, we make foods that perform, so consumers will continue to come back for more."

Other keys to growth cited by Goodall include using all-natural ingredients, making foods that pets enjoy and thrive on and staying abreast of research. New products from the company reflect all these elements, she says. For example, new small bites formulas are for dogs and cats that prefer a smaller kibble size, and large-breed dog foods provide for the different nutritional needs of specific breeds of dogs. Nutro also introduced what Goodall calls a unique system with omega-3 and omega-6 fatty acids.

With its focus on one channel, the company always finds it a challenge to

help bring consumers into pet stores, Goodall says. "Consumers are often swayed by the convenience of buying their pet foods at grocery stores. It is our job to educate them that pet specialty retailers continue to carry foods that use better ingredients and provide better performance," she explains.

Despite that challenge, Goodall says the company continues to outperform the average industry growth rate each year and expects continued strong growth for 2007, especially in its cat and holistic brands. "We believe cat owners are turning more and more to superpremium foods that provide their cats with superior nutritional value and performance," she says. "We have also seen a growing trend toward holistic foods for pets. We introduced our Ultra brand in 2004 to begin to meet the needs of this market. In 2006, Ultra began to really take off, and our expectations for 2007 are for us to continue to build our holistic business."

8 Unicharm Corp. (Unicharm PetCare Corp.)

World headquarters: Tokyo, Japan

Approx. 2005 global retail sales: US\$317 million

Officers: Toshio Takahara, chairman; Gumpei Futagami, president/CEO

Top brands: Aiken Genki Gin no Sara; Neko-Genki Silver Spoon

New products: Ginno Sara for dogs 7 years and older, Fukkura Dry dog food, Ginno Spoon Umino Gourmet cat food, Ginno Spoon Can cat food

Website: www.uc-petcare.co.jp

Main plants/facilities: Itami Hyogo (petfoods) and Mie (pet care products)

Number of employees: 180

On a new product tear since 2003, Unicharm PetCare Corp. is a division of Tokyo-based Unicharm Corp., maker of baby, personal and hygiene products. In 2005 and 2006, the pet division continued its product develop-

ment blitz with at least four new products, including extensions of lines that have captured 33% market share for gourmet dog and cat foods.

To what does the company attribute this rapid growth? "We believe the key for growth is product development meeting needs in line with trends," says Gumpei Futagami, president/CEO of Unicharm. He explains that this focus also helps the company add value to existing products.

Unicharm differentiates itself from its competition by adhering to a firm strategy of researching consumer needs, conducting in-depth analysis to convert those needs into products, increasing the awareness of the products via marketing and advertising, and expanding sales. "We have accumulated and analyzed consumer data for the past 20 years and have been carrying out consumer tests," Futagami says. "For food we have an independent R&D team inside our factory, and we emphasize speed in converting needs into products. In terms of technology, recent palatability enhancing technology applied to our gourmet petfoods is unique."

Futagami says Unicharm has grown 13-14% annually since he became president in 2001, and he expects continued growth.

9 Nisshin Seifun Group Inc. (Nisshin Petfood Inc.)

World headquarters: Tokyo, Japan

Approx. 2005 global retail sales: US\$217 million

Officers: Osamu Shoda, chairman of the board; Hiroshi Hasegawa, president

Top brands: Run, Carat, Lovely

New products: JPStyle dog food

Websites: www.nisshin.com, www.nisshin.com/english/english36.html

Plants/facilities: 21 in Japan, Canada, US, Belgium, Germany, Netherlands, Singapore, Thailand, Indonesia, China

Under the Nisshin Seifun Group umbrella, Nisshin Petfood Inc. mar-

kets to predominantly Japanese pet owners. The parent holding company, which traces its roots in Tokyo to 1901, oversees other businesses as diverse as flour milling, foods, animal feed, pharmaceuticals and engineering.

In developing its petfood products, the company cites Japanese cultural trends such as an aging population and increasing single-person households. "For many, their pet is now an important member of the family and a life partner with which they have an emotional bond," according to the Nisshin website. The company keeps this "new level of emotional attachment in mind" with its product lineup, which includes Run dog foods, Carat cat foods and Lovely foods for small pets.

To capitalize further on the cultural changes, Nisshin launched a premium dog food, JPStyle, in February 2006, via mail order. The new product has contributed to increased dog food sales and is the centerpiece of a new company focus on premiums. Sales have also risen significantly for cat food, particularly dried and pouch products and foods for older cats, according to Nisshin financial statements.

In addition to products, Nisshin Petfood provides a pet advice and consultation service to its customers, which also allows the company to gather up-to-the-minute feedback on pet owners' needs.

10 Nippon Flour Mills Co. Ltd. (Nippon Pet Foods Co. Ltd.)

World headquarters: Tokyo, Japan

Approx. 2005 global retail sales: US\$183 million

Officers: Hiroshi Sawada, chairman and CEO; Masataka Horikawa, director and vice chairman; Wataru Aosaki, president and COO

Top brands: Nippn, Vita-One

Websites: <http://e-nippon.com>

Plants/facilities: 12 plants plus seven offices in Japan, one mill in China, two mills plus one office in Thailand, three facilities in US

Also headquartered in Tokyo, the 110-year-old Nippon Flour Mills Co. Ltd., which claims to be the first industrial flour milling company in Japan to introduce western-style machinery, manufactures dry dog and cat foods under Nippon Pet Foods Co. Ltd. (NPF Japan). Besides petfoods and flour milling, Nippon manufactures and sells food ingredients; processed, frozen and health foods; and cosmetics. Most fall under the corporate Nippon brand.

Key to the company's success and competitive edge is its research and development. "NPF Japan has its own R&D center where 100 dogs and cats are bred," states the company's website. "Appetite, discharges and physical conditions are being monitored to collect effective data in developing safe and quality dog and cat foods."

The company also takes pride in its advanced manufacturing methods, claiming to have become, in 2001, the first petfood manufacturer to be certified to ISO 9001 (the international quality management standard). Though Nippon operates globally, its petfoods are marketed mainly in Japan. Company financial statements say sales of petfood products have increased greatly, though Euromonitor numbers show a sales decline in 2005. The company credits the rising number of pet lovers in Japan for growth. "Keeping pets has a positive effect on people, and the market for pet products is expanding," reads the financial statement.



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Industry leaders talk

Scott, Wigger, Thompson and Futagami share their insights

BY TIM PHILLIPS, DVM

What's the state of the petfood industry today, and where is it headed? *Petfood Industry* magazine recently asked several industry leaders for their insights. Here is some of what they had to say.

What's best inside Jim Scott, Old Mother Hubbard

Jim Scott Jr. is the CEO of Old Mother Hubbard in Chelmsford, Massachusetts, USA. He tells *Petfood Industry* that he is especially proud of the company's Wellness brand. Scott notes, "The brand was conceived about 10 years ago. My family has an 11-year-old Yellow Lab named Boomer. When he was about a year old, and we had three small children, he had several health problems. Our veterinarian told me that the dog had serious health issues and probably would not live a long life."

Scott decided he wanted to see if a change in diet could help. He talked with his people about making the healthiest petfood possible. They brought in a PhD in animal nutrition, a holistic veterinarian and a PhD in human nutrition. "We came up with a diet," Scott remembers, "but

there were concerns about it costing too much. I did not want to worry about cost. I believed that if we made the right diet, one that would be best for the inside of the pet, we would sell it. That turned out to be true."

When asked to assess the state of the petfood industry, rather than repeat others' points about the humanization of pets and petfoods and the fragmentation of retail channels, he says, "The industry will become more fragmented as pet owners seek out customized dietary solutions for their pets.

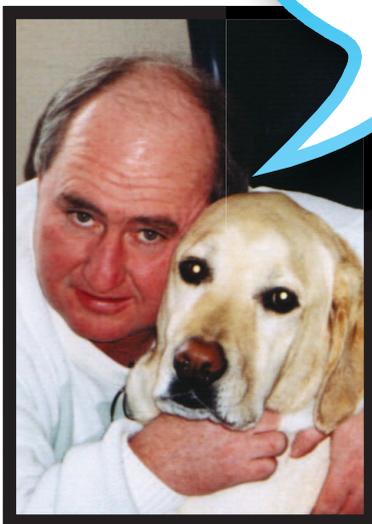
That's why we believe that people who sell our petfoods should be trained to give proper advice to pet owners."

**"He related to Boomer, instead of having a blank stare."
—Scott**

Regarding challenges he faces, Scott notes, "We get pressure to add products to increase shelf space, but we will not play the 'real estate' game.

Any new products that we introduce must provide real dietary solutions for our four-legged friends. In doing that, we build a defensible and sustainable consumer franchise for the independent retailer. We also know we could turbo-charge palatability by using certain ingredients, but we are committed to do what's best for the inside of the pet."

To illustrate his point, Scott recounts a recent visit he and Boomer made to the hospital. They visited a young man who had sustained brain damage about six months before. According to the man's mother, it was the first time her son reacted to his surroundings. "He related to Boomer, instead of having a blank stare," says Scott. "That's just one example of the tremendous value of pets."



Opportunity vs. regulations

Dr. Jürgen Wigger, Bewital

Dr. Jürgen Wigger is the general manager of the petfood company Bewital in Südlohn-Oeding, Germany. He notes that in Western Europe, companies are not seeing much volume growth but are noticing a shift from leading brands to niche products. “One important reason for this,” says Wigger “is the intense communication of pet owners via the Internet, leading to groups of customers with very specific requirements.” This means smaller production batches and opportunities for medium-sized producers like Bewital.

In most Eastern European markets, Bewital is seeing strong volume growth. But, due to relatively low incomes there, the growth is mainly in economy products. Furthermore, the aggressive expansion of large, international grocery chains (Carrefour, Tesco, etc.) favors the development of robust store brands. “Medium-sized producers have to decide if they want to be in business with large grocery chains or maintain their niche strategy,” says Wigger. “We have chosen the niche option. It will require patience and persistence, but we are confident this strategy will pay off in the long term.”

Wigger went on to predict:

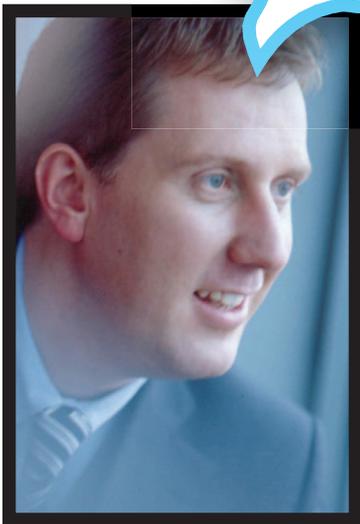
- The structure of markets will become more similar in different countries. Especially in larger cities, Bewital is seeing fewer differences between developed and developing countries.
- The overall size of the market will increase substantially due to the growth in less developed markets.
- The desire of customers to treat their pets especially well will lead to niche markets. Thus, the premium segment will have to have the flexibility to produce smaller batches.

When talking about potential problems, Wigger cites:

- Poor products possibly damaging the image of industrial

“The structure of markets will become more similar in different countries.”

—Wigger



“I’m impressed by the number of new entries.”

—Thompson



petfoods.

- More governmental regulations that will make it more difficult to explain product differences. “This could lead to a standardized petfood and the loss of any potential for value creation,” he thinks.
- Increasing protectionism making the international trade of petfood more difficult. For example, he notes, “European petfood producers have to obtain a registration opposing bio-terrorism to export their products to the US. These restrictions create uncertainties for our international business.”

Disease hurdles

Angelle Thompson, PhD, Thompson PetTech

Dr. Angelle Thompson is a product development and regulatory consultant based in Basking Ridge, New Jersey, USA. She tells *Petfood Industry* that movement of pet products worldwide will continue to face regulatory hurdles raised by diseases such as BSE, avian influenza and exotic Newcastle disease—even if there is no opportunity of transmission by petfood. Another potential problem is a dwindling fish population. “If predictions are correct,” she says, “the petfood industry will have to look for additional sources of animal protein.”

Thompson notes, “In the US, the industry is still growing and expanding its penetration into households around the world. In support of that expansion, petfood nutritionists, including myself, keep working to make foods that are better at supporting our pets’ longer lives.”

What are her most difficult challenges? She says, “Complex petfood regulations vary from state to state. One of my jobs is to advise companies on best practices for regulatory compliance. The marketplace changes very quickly.

Nutritional research takes time and regulations change slowly. It is a challenge to help companies meet market demands while simultaneously remaining in regulatory compliance.”

Talking about change, Thompson points out, “While the big guys have gotten bigger through mergers and acquisitions, many new companies are entering the

industry. Because my business serves companies that range in size from one-person to multinational corporations, I am frequently contacted by new companies just coming into the industry. I'm impressed by the number of new entries."

No zero-sum game Gumpei Futagami, Unicharm Petcare

Gumpei Futagami is the president and CEO of the Unicharm PetCare Corp. in Tokyo, Japan. He declares that Unicharm will not "play a zero-sum game, focusing on robbing market share from other companies." He says, "Unearthing new needs and selling value-added products will expand the total market."

Futagami believes that, in the Japanese petfood market, these new needs are for healthy, premium products for:

- Small, indoor dogs;
- Overweight pets; and
- Older pets.

He says his company's challenges include "a steep increase in the price of raw materials and an increasingly high expectation of petfood safety."

In Japan, pet ownership has been growing steadily, due to a



"Unearthing new needs and selling value-added products will expand the total market."

—Futagami

declining birth rate, an aging population and postponed marriages. In addition, baby boomers in Japan are reaching the age of 60. When they retire, they tend to be well-off financially. Futagami asserts, "I am firmly convinced I can continue to expand our company's pet care business in the future." ●

More insights

Glean more industry insights from the executive roundtable during Petfood Forum 2007 on April 18 in Chicago, Illinois, USA. Participants will be Doug Cahill, Mars; Ladd Hardy, Nutro; Marcel Blok, Breakthrough; and Brian Connolly, Castor & Pollux. For a complete list of Forum topics and speakers, go to www.wattnet.com/petfoodforum or contact Marcia Riddle at E-mail: mriddle@wattnet.net; Tel: +1.815.734.5633.



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Benefiting from novel ingredients

Which ones can work marketing magic for your brands?

BY TIM PHILLIPS, DVM

Some ingredients can work marketing magic, giving your brands valuable marketing points of difference. We asked petfood company people to tell us the ingredients they would like to learn more about. Following are some of the ingredients they suggested.

Meats, fruits and vegetables

Greg Aldrich, PhD, of Pet Food & Ingredient Technology Inc., tells *Petfood Industry* that a broad cross-section of nontraditional ingredients have become popular in dry petfood products, including:

- Fresh meats;
- Whole bird parts like wings, necks and backs; and
- A wide array of fruits and vegetables.

They are predominantly fresh or frozen whole ingredients, or dried co-products from the food industry. The demand for these ingredients often competes head-on with human foods.

As ingredients in petfoods, they represent a whole new host of opportunities and challenges.

The most common fresh meats used are chicken and turkey. Much of this is purchased from meat intended for the hot dog market. Beef, lamb, pork and fish are also readily available with exotic meats like buffalo, kangaroo, venison and duck available on a more limited basis.

Most of these “hot dog meats” are the product from either normal trimming or mechanical deboning opera-

Sometimes, the consumer's definition of quality has nothing to do with nutrition.

tions. Many times the nutritional information provided by suppliers of these ingredients lists only lean-to-fat ratios. A few suppliers will provide a chemical analysis, but this is often limited to protein, moisture and fat, and if you're lucky there might be some information on the ash and mineral content as well.

So how do petfood formulators find nutrient profiles for these items? While one could speculate using the traditional sources of nutrient composition available, such as the USDA National Nutrient Database for Standard Reference (www.nal.usda.gov/fnic/foodcomp/search), they only have data available for the “edible cuts.” These data don't include information on some of the fatty portions or bone ash from some of the mechanically separated meats.

Whole bird parts

Whole bird parts have some similarities to the fresh meats in that they are derived from the edible meat market. They are a big part of the emerging



raw and home-prepared foods market. Commonly utilized parts include turkey and chicken necks, legs, backs and wings. They represent the less popular, though just as wholesome, portions of the bird that the people-food market doesn't value as highly.

In many raw prepared foods, these parts are ground and mixed with other components of the diet and served without further processing. While there are general concerns about microbial safety and choking hazards, the practice seems to be gaining more rather than less ground. The proponents of this practice contend that this form of diet is closer to what the animal is adapted to.

From a nutritional and formulation perspective the biggest challenge, much like with the fresh meats, is finding solid nutritional information from suppliers on these ingredients. As with the USDA or NRC sources of information, there isn't a great deal of data for these whole parts. Most tables report only the edible portions and don't include the bone (mineral) or connective tissue (amino acids) in their analysis. Further, the variability from one supplier and type of bird to the next can be immense. So, dialing in a complete nutrient profile can be guesswork at best. The one avenue for information can be found in a few reports by zoo nutritionists, because they've been feeding "whole prey" for years.

Fruits and vegetables

Fruits and vegetables like tomatoes, carrots, peas, apples, beans, spinach and many others are finding their way into more petfoods every day. While most of the fruits and vegetables used might not match exactly the partially digested paunch material from their wild prey, the intent is the same.

Determining the proper inclusion level for these fruits and vegetables can be a challenge, because, again, there isn't a great deal of nutrient profile information available. Finding nutritional information for these ingredients is easier than for that of the meats and parts described previously. However, tables of information available for hu-

man foods are often missing critical nutrient information, such as chloride, biotin, iodine and crude fiber.

The industry needs more publicly available information about the nutrient profiles for the preceding ingredients. Until that point, suppliers and petfood companies will need to conduct nutrient analysis on the individual ingredients, and researchers and nutritionists need to report their findings.

The industry needs more publicly available information about the nutrient profiles.

Custodial-care ingredients

Ed Mareth, cofounder of 3D Corporate Solutions, thinks today's pet owners have a strong inclination to purchase petfoods with exceptional quality and variety. He points out the need to design, build and manage products, programs and processes to meet a commitment to *custodial care* of raw material. He defines custodial care ingredients as those that "can be traced through a chain of custody that validates safe-handling procedures through the entire supply chain. They are never treated as a by-product."

Mareth continues, "It is our objective to meet our customers' demands for quality, consistency and novel ingredients." He believes customers are no longer satisfied with just lamb or chicken; they are looking for variety such as duck, rabbit or venison. This means programs upfront to address quality concerns long term.

"We believe," says Mareth, "that in today's competitive environment, excellent quality translates into brand loyalty." Without consistent, predictable products, no manufacturer can deliver petfoods that meet their cus-

tomers' long-term expectation for quality—realizing that sometimes, the consumer's definition of quality has nothing to do with nutrition.

DHA stability questions

Al Cunniff from Advanced BioNutrition notes there is a growing demand for natural, fortified and functional foods in the petfood sector. Among those new products, omega-3 and more specifically omega-3 DHA fortified petfoods are especially popular.

DHA, or docosahexaenoic acid, is a fatty acid important for neural development of young mammals. Dietary DHA is critical for optimal neural development in puppies because DHA synthesis in the body is limited. Some studies indicate puppies nourished on diets with enhanced levels of DHA have improved trainability. Enriching treats with omega-3 DHA presents several challenges, most notably:

- ▶ The stability of the material used to deliver proper levels of DHA; and
- ▶ Its ability to withstand the manufacturing process.

The most popular source of DHA is fish oil, and it is most efficiently stabilized with ethoxyquin, a synthetic antioxidant. Ethoxyquin presents a challenge when formulating all-natural treats: Ethoxyquin is not allowed in raw ingredients even if the level would be minimal or absent in the final extruded product.

An alternative source of omega-3 DHA is available for companion animal nutrition, which offers the potential to be stabilized with a natural antioxidant package as opposed to using ethoxyquin. This alternative is from an algal source (*Schizochytrium sp.*) that is grown under GMP conditions. The resulting algal biomass contains a minimum of 20% DHA by weight.

A recent research project investigated the feasibility of formulating all-natural DHA enriched dog treats, using fish oil or algal biomass, stabilized with natural antioxidants. The goal was to:

- ▶ Formulate and evaluate the stability of the treats over time;
- ▶ Evaluate buyer perception of the

aroma of the treats formulated with fish oil or the algal DHA; and

- Measure the DHA stability over time in both formulations.

Results showed that the negative perception of the fish oil product rose over time. Unexpectedly, the negative perception of the algal product decreased over time. This trend is concentration-dependant. Bottom line: The dog biscuit formulated with the algal ingredient is more pleasant to the human olfactory sense over time.

Green mussel, sea cucumber

When is a petfood ingredient a *food*, and when is it a *food additive*? That question is important, says David Dzanis, DVM, PhD, because a food additive must be approved (or otherwise sanctioned by regulators) before it can be used in marketed products, while an ingredient with a history of use as food does not require pre-market approval.

Both New Zealand green mussel (NZGM) and sea cucumber are fre-

quently cited as “unapproved ingredients” (i.e., food additives) by state feed control officials. However, in both cases the ingredients have a long history of consumption by humans for their food functions (taste, aroma and nutritive value). In fact, both appear on the Food and Drug Administration’s Seafood List as recognized human foods! Food is defined by law as “food ... for man or other animals.” Therefore, it is unclear how the same ingredients can be food for humans yet deemed food additives when used in petfood.

Granted, neither NZGM nor sea cucumber has a history of use in petfoods specifically. However, neither do many, many other substances, such as fruits and vegetables, exotic meats and poultry and other seafood (e.g., lobster, shrimp). Yet, there appears to be little consternation about the latter’s use in petfoods. Thus, to single out NZGM and sea cucumber as “unapproved” is inconsistent at best.

Also complicating the issue is the fact

that some have ascribed non-nutritive functions to NZGM and sea cucumber or have used them in human dietary supplement products. However, the inapplicability of the Dietary Supplement Health and Education Act (DSHEA) to animal products is simply irrelevant. DSHEA would only be material if the substance did not have a history of use in food. That’s not the situation with these ingredients. So, as long as there’s no non-food (i.e., drug) claims associated with their presence in a product, there doesn’t appear to be a compelling regulatory reason to exclude NZGM or sea cucumber from petfood formulations.

Procurement

The goal of procuring ingredients, including novel ones, is to find suppliers capable of low-cost production of quality ingredients and delivery that meets production schedules. Procurement managers who follow best practices are usually successful in helping improve products and business profitability. ●

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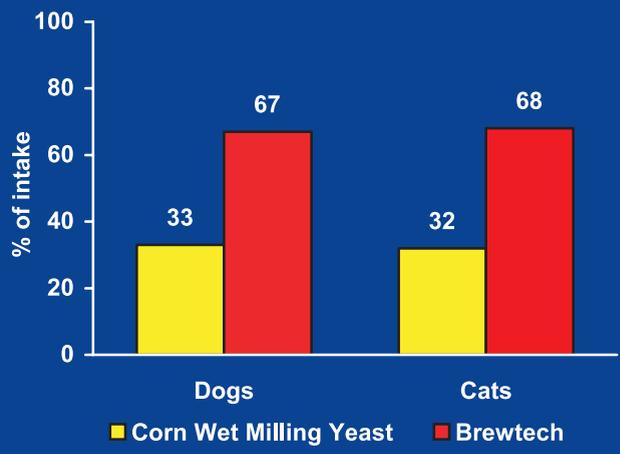
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AAFCO misrepresented by websites replete with errors

Because of its integral role in the regulation of petfoods, my commentaries frequently mention the Association of American Feed Control Officials (AAFCO). I presume that the reader understands the nature of the organization and its general functions. However, the briefest surf on the Internet reveals many misunderstandings, if not downright misrepresentations about what AAFCO is and does. Because many of the same errors appear on multiple company and organizational websites, I don't wish to single out any of them by name. However, below are a few examples of what's out there.

What does AAFCO stand for?

Granted, the words making up the acronym "AAFCO" are not immediately intuitive. The most frequent error I observe is transposition of the first two "A"'s, i.e., "American Association of Feed Control Officials." However, I've also seen "Association of American Food Control Officials," "Association of Animal Feed Control Officials," "American Association of Feed Control Officers" and "American Association for Feed Control Officials."

Also commonly found is use of the incorrect acronym "AFFCO." I've even seen it used on a government webpage! If a company/organizational site can't even get the name right, how can you trust what else it says about AAFCO?

AAFCO/industry collusion?

Many sites want the reader to think AAFCO is a petfood industry organization, or at minimum, a puppet of the industry. Here are a few examples:

- "(AAFCO) ... is basically an industry group."
- "AAFCO also consists of members from the petfood manufacturing industry."
- "Because many petfood manufacturers are on the roster of ... AAFCO ... (it) is protecting manufacturers, not your pet."
- "Today AAFCO's membership roster reads like a 'who's who' from the petfood industry."

And my personal favorite:

- "(In) 1974 ... the petfood industry created a group called (AAFCO)."

A quick look at the AAFCO bylaws would confirm that

Many sites want the reader to think AAFCO is a petfood industry organization.

— David Dzanis



while it is not a government organization, membership is limited to government employees. True, representatives of industry associations can be acknowledged as committee advisors, or may be asked to serve on task forces or working groups under a committee. However, the same is true for representatives of consumer advocate organizations.

In any event, these participants remain non-members, and they cannot vote in any AAFCO committee, board or association matters. Anyone who thinks AAFCO "rubber stamps" the will of the industry has obviously never attended an AAFCO meeting. On the contrary, the meeting discussions are often quite adversarial, and it is a rare occasion when there isn't significant disagreement between parties, either between AAFCO and industry or among the different industry groups. In the end, though, it is AAFCO that makes the final ruling on the matters before it.

AAFCO definitions

Many websites love to cite some of AAFCO's less "appealing" feed ingredient definitions as evidence of all the terrible things that are commonly used in petfood (except for the company site's sponsored product, of course). They often give the impression that petfoods are largely comprised of nothing but "food processing waste," "hydrolyzed poultry feathers" and "dried poultry litter." However, what they fail to mention is that if such an ingredient was included in a petfood, by law it would have to be declared by that exact name on the ingredient list. Frankly, I've never seen "unborn calf carcasses," "polyethylene roughage replacement" or "ensiled paunch" declared on a petfood label. The only rational conclusion one can reach is that petfoods simply don't contain these ingredients. However, that fact doesn't make as good a story.

A related controversy is the frequent assertion that the majority of commercial petfoods contain euthanized dogs and

cats. In the effort to be completely forthright, regulatory officials cannot definitively exclude all possibility of that occurring. However, a person with knowledge and understanding of the different types of rendering facilities and use of products from these plants can reasonably surmise that the potential for that happening is very remote.

Websites ignore the ingredient name factor, too. Only a very few AAFCO-defined ingredients could conceivably contain materials from rendered pets, and use of those ingredients is rare nowadays.

AAFCO profiles/feeding trials

The websites that really rile me often involve disparagement of the AAFCO methods of nutritional adequacy substantiation. Constructive criticism is perfectly legitimate. In fact, I've made public comments about the methods' respective virtues and limitations myself. However, often the website's aim is to vilify the intentions of AAFCO and purpose of the profiles and feeding trials as regulatory tools. For example:

- ▶ "A food can be created from old leather boots, wood shavings and crankcase oil that will meet the technical requirements."
- ▶ "It is easy to see how a poor quality diet could be fed for only six months without seeing adverse health effects."
- ▶ "AAFCO was formed ... because the industry found NRC's regulations to be too restrictive and created its own procedures for claiming nutritional adequacy in petfoods. They also decided that instead of lengthy feeding trials, chemical nutritional analysis would be conducted to determine minimum nutritional requirements."
- ▶ "AAFCO believes that an organization with close ties to the petfood manufacturing industry is sufficiently qualified to alter nutrient profiles created by NRC scientists."

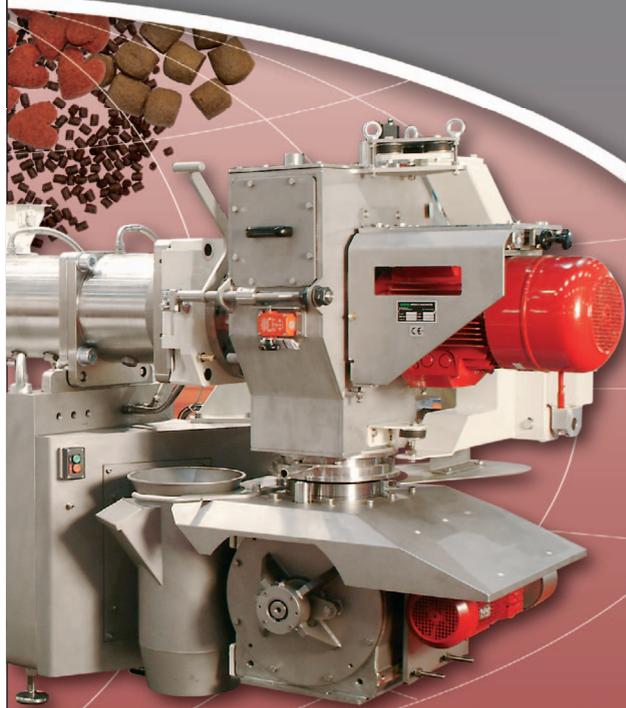
The most disingenuous aspect of such statements is when they precede claims for nutritional superiority of petfoods or recipes for home formulations that do not meet, or at least have not been reasonably documented to meet, AAFCO requirements. Some may be good, but I've seen many products and recipes that fail the sniff test outright. Frankly, if a food was so wonderfully nutritious, one would think it could breeze through the AAFCO substantiation requirements. For some websites, dismissing the merits of AAFCO seems easier.

Other sites disparage AAFCO with the assurance that a particular supplement will correct the deficiencies AAFCO doesn't address. Outside of glowing testimonials or long-winded promises, I am not aware of sites that offer explicitly detailed explanation of the scientific testing conducted that would supersede established AAFCO methodology. ●

Dr. Dzanis is a writer and independent consultant for the petfood and animal feed industries on matters related to veterinary nutrition, labeling and regulation. He can be reached at Tel: +1.661.251.3543, Fax: +1.661.251.3203, E-mail: dzanis@aol.com.



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Probiotics/direct fed microbials present challenges

Probiotics, or direct fed microbials, are an entire class of live microorganisms with a very complicated but intriguing story (Krestel-Rickert and Kisic, 2003). These microbes aren't necessary to the diet for palatability or processing purposes, nor do they contribute directly to the nutrition of the animal. Rather, they are a natural complement to prebiotic soluble fibers like inulin, beet pulp or soy hulls, which are intended to support the health of the lower gastrointestinal (GI) tract.

Instead of providing substrate to the indigenous flora in the colon, probiotics represent the adding of beneficial microorganisms to the colon. The pay-off can be the prevention and treatment of such diseases as diarrhea (Sauter et al., 2006). However, describing their benefit to the animal can border on a medical claim rather than nutritional fortification. This can be problematic when it comes to crafting a marketing message necessary to justify their addition and cost in commercial petfood. Unfortunately, like a vaccination they don't offer much in the way of outward or observable results. Issues also extend to determining which probiotic organisms to use and how to get them into the animal.

How they work

The mode of action for probiotics in the gut is described by microbiologists as "colonization resistance," which in a nutshell is a "good versus bad" proposition. More specifically, the probiotic organisms add to the population of microorganisms in the hindgut (colon) to a level sufficient to



**To be effective,
probiotics must be live
and viable.**

— Greg Aldrich



tip the balance in favor of the "good guys." The net result is that the colonic contents (digesta) become more acidic, with a better mix of short chain fatty acids (the fuel of the cells lining the colon).

In addition, the good guys inhabit the "hiding places" along the gut wall and generally create an unfriendly environment for "bad guy" pathogens like *E. coli*, *Clostridium* and *Salmonella*. There is also some suggestion that probiotics can stimulate immunity (IgG and IgA) at the gut level in both dogs and cats (Benyacoub et al., 2003; Marshall-Jones et al., 2006).

To be effective, probiotics must be live and viable. They are by design intended to be transient through the gut, not taking up full residence, lest they become pathogenic themselves. Thus, they must be provided orally on a regular basis, the sort of delivery that best fits with their addition to the animal's daily diet. Functionally, they must also be able to survive acidic digestion in the stomach, enzymatic/bile digestion in the small intestine and arrive intact in the large intestine to do their job.

For this reason, spore-forming anaerobes like *Bacillus* are often chosen (Biorge et al., 1998). Other organisms like *Lactobacillus*, *Enterococcus*, *Bifi-*

dobacterium and *Saccharomyces* species are commonly proposed or tested. But this is an oversimplification of the dizzying array of candidate organisms that could qualify as probiotics.

Delivery challenges

Because food is provided daily, it makes good sense to add probiotics through this route. However, most gut-associated microorganisms and probiotic candidates are susceptible to heat treatment and, in general, petfoods involve some measure of sterilization and/or pasteurization. This makes it difficult to add them to foods with any hope of retaining them as live and viable. It certainly precludes mixing them with the raw ingredients prior to processing.

Canned food applications are disqualified due to the temperatures encountered during retorting. The elevated dry heat encountered with baking and the extremes in temperature and pressure of extrusion are too harsh to allow many, if any, probiotics to survive. While there have been several attempts to select probiotic organisms that will survive food processing (the so-called thermophiles), this has met with little real success. So, most petfood application is relegated to a post-processing coating of probiotics

in a powder or liquid form to the outside of the kibble or treat.

This is fraught with problems as well, since adherence can be inconsistent and retention difficult. For example, in a recent report, 19 commercial petfoods purporting to contain probiotics failed one or more of the microbial guarantees (bacteria species, counts and/or contamination; Weese and Arroyo, 2003). Quality control practices are also challenging since few petfood production facilities are equipped with full-scale microbiology labs to validate the application of the probiotics. Further, efforts to understand the viability of these organisms for the full extent of a product's shelf life are lacking in the literature.

Supplements that contain the required amount and type of probiotics might be the answer and would certainly provide a more regulatory compliant vehicle for their delivery; however, everyday administration can be a problem.

Gaps and needs

Most of the probiotic research has been conducted with very small sub-populations of healthy dogs and cats. While deductive rationale for their benefit have been offered as a result of these trials, there is no clear-cut direct or clinical evidence that the constant use of probiotics reduces the incidence of disease in dogs or cats. A great deal of research is currently being published in an attempt to better define the right probiotics and their application for pets and man. However, while much of this is very good work, from a broader perspective the general direction is being driven by a "supply side" attempt to justify one microorganism over another.

The greater pet-owning community would benefit from a longer-view evaluation of the merits surrounding probiotics in pet diets, rather than getting bogged down in the short-term minutiae. This is because probiotics, though challenging to administer and to directly observe their effects, hold promise as a dietary component for the

animal's GI health and stability. ●

Dr. Greg Aldrich is president of Pet Food & Ingredient Technology Inc., which facilitates innovations in foods and ingredients for companion animals. Tel: +1.785.271.0238, E-mail: aldrich4@cox.net.

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International petfood partnership in Romania

Petfood manufacturers with investors from different countries are quite rare in Europe. However, there is an example in Romania that is even more unusual because it can also claim to have had the backing of a European government.

“Our company was established about four years ago in a project that was led by a group of Dutch investors,” reported Constantin Toporiste, director of Bucharest-based Nordic Petfood Group, when in Brussels recently to attend Kemin’s latest European petfoods symposium. “Today, 51% of the shares are held by Romanians and 49% by Dutch.

“We had also received Dutch government support. The Romanian input was to build the factory on a green field site, while the Dutch helped us on the equipment side,” Toporiste continued. “The grinders we use, for example,

The total investment in the project was around 4.5 million Euros.

— Peter Best



came from Ottevanger.

“The equipment for extruding and drying was bought secondhand in the Netherlands to be refurbished and installed in our new building. The rest of the line (dosing, milling and mixing, packaging) is brand new, and more than 75% of the units were manufactured in Romania,” he added.

“We enlisted the help of Professor Mian Riaz of Texas A&M University in the United States to spend two days at the factory and explain to us how we could improve our extrusion process.

The improvement we wanted to make was in quality, not in capacity. Our total focus is to supply a premium dry product.”

The total investment in the project was around 4.5 million Euros, Toporiste continues, and was devised to make Nordic a local producer that could compete with the big multinational corporations for a share of the Romanian market. This market is developing very quickly, as more of the country’s population is buying ready-made petfood products for their dogs

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Constantin Toporiste (at left) of Nordic Petfood Group in Romania is pictured with Catalin Tudorache, sales chief of Kemin's Romanian dealer Profeed.



and cats. Unofficial estimates put its size at around 35,000 metric tons per year for complete dry diets and therefore suggest it is starting to be large enough to justify the entry of a Romanian manufacturer challenging the imported brands.

Despite its name, Nordic has no Scandinavian connection. Toporiste reveals the name was chosen simply because the headquarters would be situated in a building at a location where one of its shareholders had been born, near Bucharest's north railway station. The newly formed company has since become both a producer — the biggest under local ownership — and a wholesale distributor of high-quality petfoods to small shops and supermarkets throughout Romania.

Today, all industries in Romania are preparing as the country enters the European Union as a full member effective this month. Among other effects, petfood and animal feed interests must organize themselves to meet the EU's directive on good manufacturing practices (GMP). For the Nordic factory that has meant working with its Dutch partners on understanding and implementing HACCP and GMP systems before membership in the European Union arrives.

Belonging to the expanded EU of 27 countries could additionally give the company some exporting opportunities for its premium products. "It is something that we look at very closely," Toporiste comments. "However, I think for the moment we will concentrate on increasing our share of the home market. Our sales in Romania have already exceeded the targets we set ourselves at the start, but there is always work to be done to expand the business even further. Customers in Romania are not really interested if the product is of Romanian origin or comes from abroad. They are far more concerned about quality and price. Fortunately, we can compete with the international brands in both respects." ●

Peter Best is the European editor for Petfood Industry magazine. He invites comments and suggestions from all readers about future topics for his column. He can be contacted at: best@watt-4.demon.co.uk.

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Brick and mortar vs. Internet store dynamics

Up, up and away, specialty stores sales increased in the first six months of 2006 compared to the same 2005 period, as specialty retailers dominate the initial ranking of “Hot Retailers,” published by *Stores* magazine. This listing highlights retailers with the greatest percentage of year-over-year growth. Retailers with specialty products and services took seven of the top 10 spots.

These specialty stores continue to seek performance improvements, new investment and new management in pursuing turnaround opportunities, while several troubled specialty stores were bought in the summer by various private equity firms: for example, Petco, the pet supply retailer.

Specialty retail channel dynamics

Within the US market, consumer spending, a major driver of specialty retail sales, increased 2.6% in June 2006 compared to June 2005. While mass merchandisers like Wal-Mart and shopping clubs like Costco provide strong competition to specialty merchants by effectively creating large, low-cost specialty departments within their superstores, more and more specialty retail items are being bought from catalog and Internet retailers, which offer a broader selection of merchandise.

Overall, Internet retail sales increased from about US\$20 bil-

Specialty stores sales increased in the first six months of 2006.

— Huntley Manhertz Jr.



lion in 2000 to more than US\$100 billion.

Typically, specialty store products are bought based on seasonal occasions or around the end of the year for holiday gifts. Normally, specialty store sales are highest in third and fourth quarters, and merchants typically generate 40% of their business around the end-of-year holidays.

Valuable market research information

To create and keep traction, more malls and individual stores are issuing so-called “frequent buyer” cards that give discounts and other rewards once shoppers have spent a certain amount. In addition to building customer loyalty, such cards can provide valuable market research information about shopping habits.

Although many specialty retailers have established Internet sites on which customers can order products and make credit card payments, Internet sales as a whole amount to a small 2% of total US retail sales.

Some retailing specialties, such as books, are very suitable for Internet sales, but jewelry and

low-cost items, such as petfoods, haven’t sold very effectively on the Internet. Specialty retail stores are therefore hinged on being able to attract customers to the store, and once they’re in the store, to offer personalized service and attractive merchandise that will compel the customer to buy.

Revenue-generating tools

Much of the business of specialty stores comes from repeat customers, and many stores have programs to engender customer loyalty. Offers that integrate pre-notice of sales, have special sale hours for loyal customers and mail customers to advise them of new merchandise are great revenue-generating tools. ●

Dr. Huntley Manhertz Jr., is a consumer product goods market researcher and an independent writer. He can be reached at Tel: +1.813.310.0237, E-mail: info@consumerlinkageresearch.com.

Urine pH in cats

The objective of this study was to determine if urine pH can be predicted using the nutrient components of feline foods. One hundred fifty foods (90 dry foods, 60 wet foods) were fed to groups of 10 adult cats (mean, 8.5 years of age) to determine the urine pH of cats fed each food. The food was fed for seven days, and pH was determined on freshly voided urine on days five to seven of the

test. Through step-wise regression, it was determined which cations, anions and sulfur-containing amino acids were of importance for urine pH prediction.

Three models were developed for urine pH prediction. These models included: 1) wet and dry foods; 2) wet only foods; and 3) dry only foods. The cations included in all models were sodium, potassium and magnesium. Calcium was excluded from the wet only model. The anions for all models were chloride, sulfur and phosphorus. Including sulfur in the model allowed for the exclusion of methionine and cysteine from the dry model.

Source: Yamka, R.M., Friesen, K.G. and Schakenraad, H., 2006. The prediction of urine pH using dietary cations and anions in cats fed dry and wet foods. *Intern J Appl Res Vet Med* 4(1):58-66.

Risk factors for obesity

The prevalence of overweight and obesity in dogs over 1 year old seen by US veterinarians during 1995 was determined. Risk factors were also determined from the variables of age, breed, gender, body condition score, food type, reported concurrent disease and geographic region. Thirty-four percent

of adult dogs (n = 21,754) were overweight or obese. Overweight dogs were more likely to be older, of certain breeds (Cocker Spaniel, Labrador Retriever, Dalmatian, Dachshund, Rottweiler, Golden Retriever, Shetland Sheepdog, mixed breed), neutered and consume mainly semi-moist foods.

Overweight adult dogs were most likely to reside in the Pacific, South Central, East North Central or Northeast regions of the US and be diagnosed with hyperadrenocorticism, ruptured cruciate ligament, hypothyroidism, lower urinary tract disease or oral disease. Obese dogs were more likely to be older, of certain breeds (Shetland Sheepdog, Dachshund and Golden Retriever), neutered and consume "other" foods (meat or other food, commercial treats or table scraps), homemade or canned foods. Obese adult dogs were more likely to live in the Pacific or Northeast region of the US and be diagnosed with hypothyroidism, diabetes mellitus, pancreatitis, ruptured cruciate ligament or neoplasia.

Source: Lund, E.M, Armstrong, P.J., Kirk, C.A and Klausner, J.S., 2006. Prevalence and Risk Factors for Obesity in Adult Dogs from Private US Veterinary Practices. *Intern J Appl Res Vet Med* 4(2):177-186.

Key Concepts

► Urine pH in cats

(*Intern J Appl Res Vet Med* 4(1):58-66): Urine pH of adult cats can be predicted from the nutrient components of the food, thus reducing the number of animal studies to optimize urine pH.

► Risk factors for obesity

(*Intern J Appl Res Vet Med* 4(2):177-186): Overweight dogs were more likely to be older, of certain breeds, neutered and consume mainly semi-moist foods.



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➤ **H.H. Backer Pet Industry Spring Trade Show**, March 30-April 1, 2007, New Atlantic City Convention Center, Atlantic City, New Jersey, USA. Contact: H.H. Backer Associates Inc., 200 S. Michigan Ave., Suite 840, Chicago, Illinois 60604 USA, Tel: +1.312.663.4040, Fax: +1.312.663.5676, E-mail: hhbacker@hhbacker.com, Website: www.hhbacker.com.

➤ **Petfood Forum**, April 16-18, 2007, Hyatt Regency O'Hare Hotel, Chicago, Illinois, USA. Contact: Marcia Riddle, Watt Publishing Co., 122 S. Wesley Ave., Mt. Morris, Illinois 61054 USA, Fax: +1.815.734.5631, E-mail: mriddle@wattnet.net, Website: www.wattnet.com/petfoodforum.

➤ **Petfood Focus on Treats**, April 18-19, 2007, Hyatt Regency O'Hare Hotel, Chicago, Illinois, USA. Contact: Marcia Riddle, Watt Publishing Co., 122 S. Wesley Ave., Mt. Morris, Illinois 61054 USA, Fax: +1.815.734.5631, E-mail: mriddle@wattnet.net; www.wattnet.com/petfoodforum.

➤ **Petfood Forum Europe**, May 8, 2007, Utrecht, Netherlands. Contact: Marcia Riddle, Watt Publishing Co., 122 S. Wesley Ave., Mt. Morris, Illinois 61054 USA, Fax: +1.815.734.5631, E-mail: mriddle@wattnet.net; www.wattnet.com/petfoodforum.

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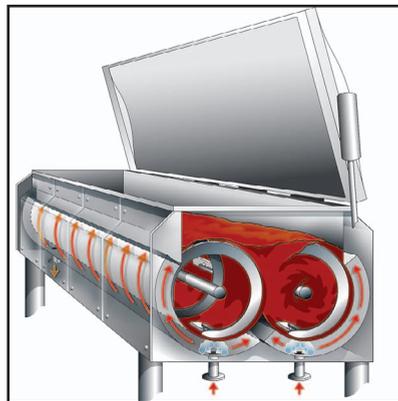
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Loma Systems Inc., Gary Wilson, 283 E. Lies Road, Carol Stream, IL 60188 USA, Tel: +1.630.681.2050, Fax: +1.630.588.1394, E-mail: Gary.Wilson@loma.com.

Horizontal batch cookers



Mepaco has developed its new line of ThermaBlend cookers for viscous food products. ThermaBlend cookers have an hourglass design that provides a larger heating surface for better heat transfer, according to the company. The cookers feature dual-ribbon agitators, a wrap-around ASME heat jacket and a scraper system to prevent burn-on, while maximizing even transfer of heat to the product.

Mepaco, Tom Hoffmann, Tel: +1.920.356.9900, E-mail: thoffmann@mepaco.net, Website: www.mepaco.net.

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Looking east to grow the market

Compound annual growth of 11.8%. Projected growth of 33%. Increases of 48%, 104%, 177%.

These are gaudy numbers from any point of view. And they apply to a booming new market for petfood and other pet products: Central and Eastern Europe.

At the first International Pet Conference, held in Frankfurt, Germany, this past November, experts from Euro-monitor International, Dähne Verlag (the conference organizer), Information Resources Inc. and various pet retailers cited these and similar statistics to describe the current and estimated growth of the pet market in countries such as Poland, Slovakia, Romania and Bulgaria.

(The figures, respectively, represent growth of the pet market in Eastern Europe since 2001, projected growth for that market by 2011, growth of dog and cat food sales in the Czech Republic from 2000 to 2005 and growth of dog food—sales at 104% and volume at 177%—in Romanian grocery outlets from September 2005 to September 2006.)

Lots of pets

According to Ralf Majer-Abele, managing editor of *Pet in Europe* magazine and the conference chair, Eastern European countries comprise four of the top five European countries in dogs and cats per capita. And those pet owners are learning more about proper pet nutrition and enjoying more discretionary income to provide it.

He also explained that in these countries, the majority of dog and cat meals are still prepared by owners from table scraps and other “people food.” But manufactured petfood is steadily growing in sales, especially in urban areas

Some say developing markets will comprise 20% of the global pet market by 2015.

— Debbie Phillips-Donaldson



and for inexpensively priced products, often produced by private label manufacturers. In capital cities, premium brands are gaining traction, benefiting from owners’ increasing awareness of pet health issues and inclination to treat their pets as family members—like the humanization of pets so prevalent in developed markets.

This all adds up to continued high growth potential for petfood in the region, according to Majer-Abele, as people there continue to gravitate toward Western living standards and become more interested in product quality. One caveat is the continued risk for political instability of some of the region’s countries.

Politics and petfood

Indeed, some of the most interesting sessions at the conference were by executives from Eastern European retailers and pet suppliers describing the many political changes in their countries over the past two decades and how those have affected the pet market. Tamas Gorcs, owner of Ti&To Co., a retailer in Bratislava, Slovakia, led attendees through a brief history of pet shops in the country. His reasons for predicting continued growth in Eastern Europe—increased popularity of dry petfood, rising sales through pet superstores and a shift in marketing to-

ward education—echoed those of other conference speakers.

Gorcs was followed by Irina Papazova, CEO of Felina Bulgarien, a distributor for Vitakraft products based in Plovdiv, Bulgaria. Her moving description of the impact of recent political upheaval in her country on pets and their owners drew a standing ovation. She ended on a positive note, citing statistics such as 19% growth in 2006 sales of dry cat food through one Bulgarian grocery chain.

The conference also covered the potential for the pet market in China. According to Gorcs, developing markets overall will comprise 20% of the global pet market by 2015. He cited total growth of the Eastern European market from 1996 to 2005 as 320%, followed only by Asia (excluding Japan) at 220%. Now how’s that for gaudy?

Corrections

In the November 2006 issue of *Petfood Industry*, the source for the chart on p. 22 was Euromonitor International. On p. 33, the correct E-mail address for Ron Fuller is ron_fuller@hughes.net. ●

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