

Pet food trends shaping the world

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Tucson, AZ





Prepared pet food was
pioneered at the end
of the **19th century**



Pets and Humans

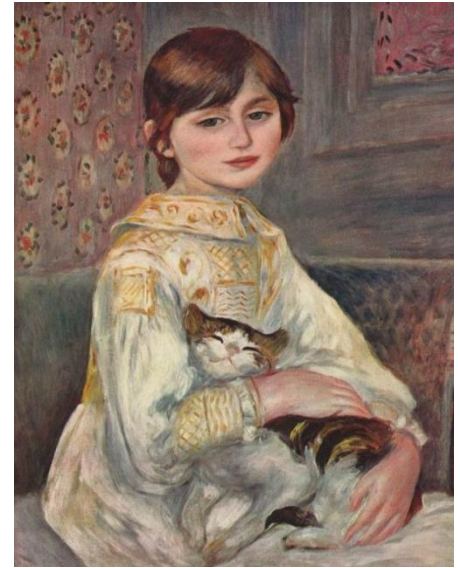
Dogs as Hunters, Guards and Protectors



Asmolean Palette, 3500-3000 BC (left) and Hades and Cerberus, 1st Century BC, Crete (right), Standing Statue of a Dog in Sichuan (Han Dynasty)

Pets and Humans

Pets are part of day-to-day human life throughout history



The Virgin and Child with Saints and Donor, Gerard David 1510 (Renaissance) (left) Las Meninas Velasquez, 1656 (Baroque) middle, Portrait of Julie Manet, Pierre Renoir 1887 (right),

“The Nuclear Family” – Pets are part of the Family

Nine in ten pet owners consider their pet a member of the family



- About 27% of pet owners have taken their pet to a professional photographer
- More than half of cat and dog owners give their pets presents at Christmas. 36% give a birthday present.
- 25% say they blow dry their pets hair after a bath

Pets replacing children?

Japan has 22 million pets, but only 16.6 million children (under the age of 15)

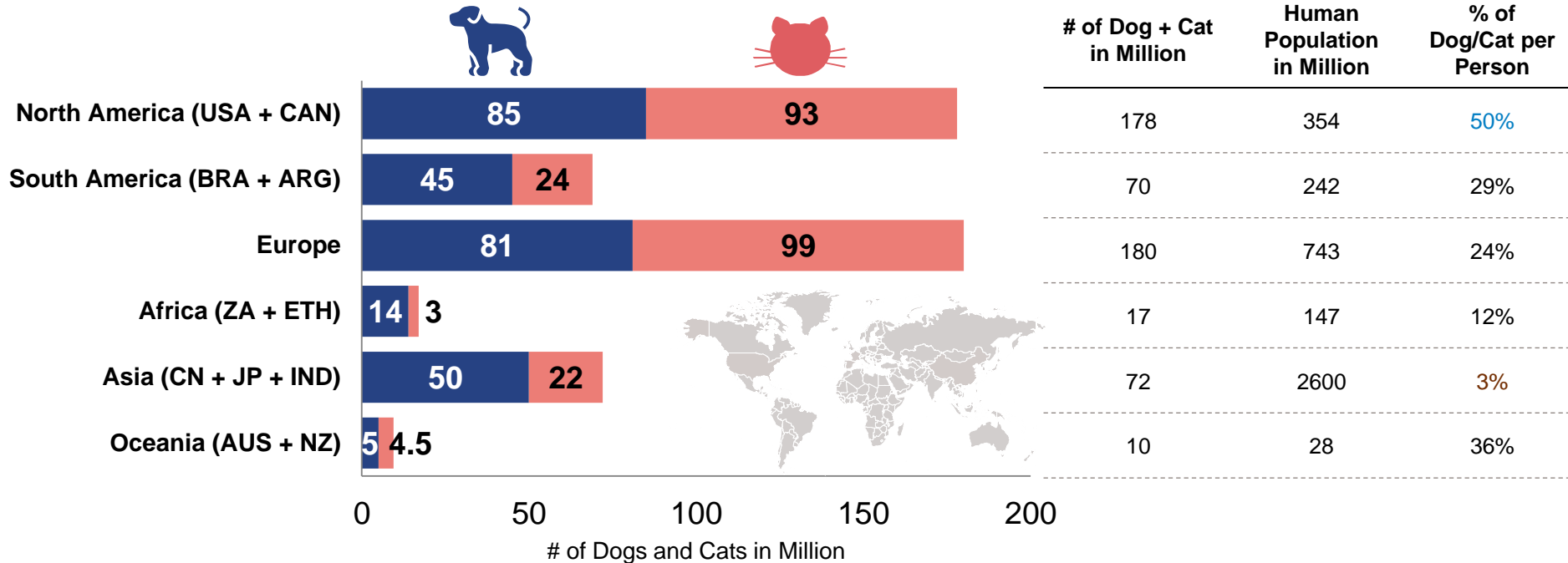


Photograph: Alamy on <http://www.theguardian.com/lifeandstyle/2012/jun/08/why-japan-prefers-pets-to-parenthood>

Photograph: Ruth Evans on <http://www.theguardian.com/lifeandstyle/2012/jun/08/why-japan-prefers-pets-to-parenthood>

The World's Dog and Cat Population

There are approximately 600 Million Dogs and Cats in the world.

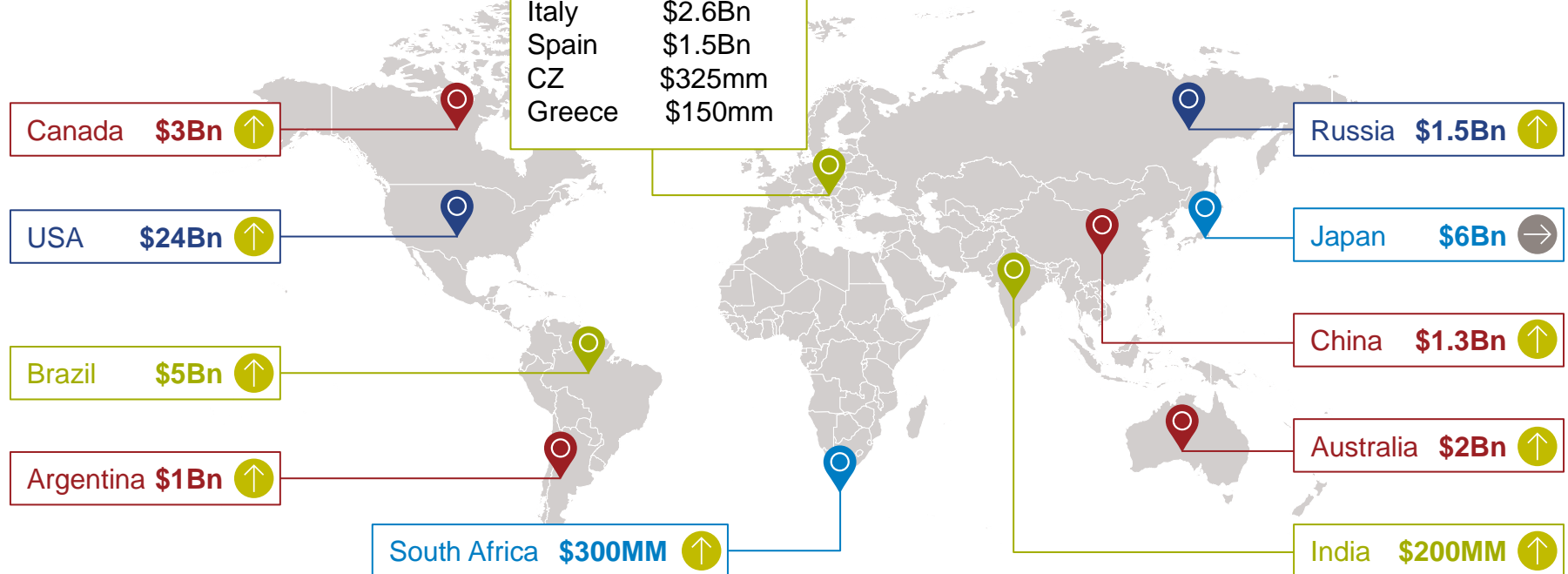


Global pet food market size

Key markets

~\$70Bn Global pet food market
~ +4% YOY

Europe	\$20Bn	→
Germany	\$4.2Bn	→
UK	\$4.4Bn	
France	\$4.1Bn	
Italy	\$2.6Bn	
Spain	\$1.5Bn	
CZ	\$325mm	
Greece	\$150mm	



Source: GfK Pet Retail Panel data & GfK estimate

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Pet Specialty Channels

 <p>USA \$13Bn</p> <p>Pet Specialists/Chains Pet Specialists/Indies Veterinarian Clinics Farm Feed*</p>	 <p>UK \$1.3Bn</p> <p>Pet Specialists/Chains Pet Specialists/Indies Pure Players/Online Garden Centers, Variety Stores DIY and Department Stores</p>	 <p>France \$650MM</p> <p>Pet Specialists/Chains Garden Centers Rural Trade DIY Superstores</p>	 <p>Spain \$281MM</p> <p>Pet Specialists/Chains Pet Specialists/Indies Pure Players/Online</p>
 <p>Greece \$68MM</p> <p>Pet Specialists/Chains Pet Specialists/Indies</p>	 <p>Czech Rep. \$161MM</p> <p>Pet Specialists/Chains Pet Specialists/Indies Pure Players/Online</p>	 <p>S. Africa \$143MM</p> <p>Vet Clinics Vet Shops</p>	 <p>China ** \$51MM</p> <p>Hypermarkets Pet Shops Vet Clinics</p> <p>** Beijing & Shanghai City Panel</p>

*Farm Feed market/volume (approx. 3.5Bn annually) not included in following data slides

Retail Channels Overview

Retail Environment



Mass Merchants

- Groceries
- Hypermarkets
- Supermarkets
- Discounters

Pet Specialized Retailers

- Pet Shops
- Pet Supermarkets
- Veterinary Clinics
- DIY/Garden centers
- Online Pet Spec.
- Farm & Feed (Agricultural Shops)
- Veterinary Clinics

Specialized Retailers



50%

50%

80%

35%

70%

45%

Global

USA

China

W Europe

Brazil

Czech
Rep.

Mass Merchants



50%

50%

20%

65%

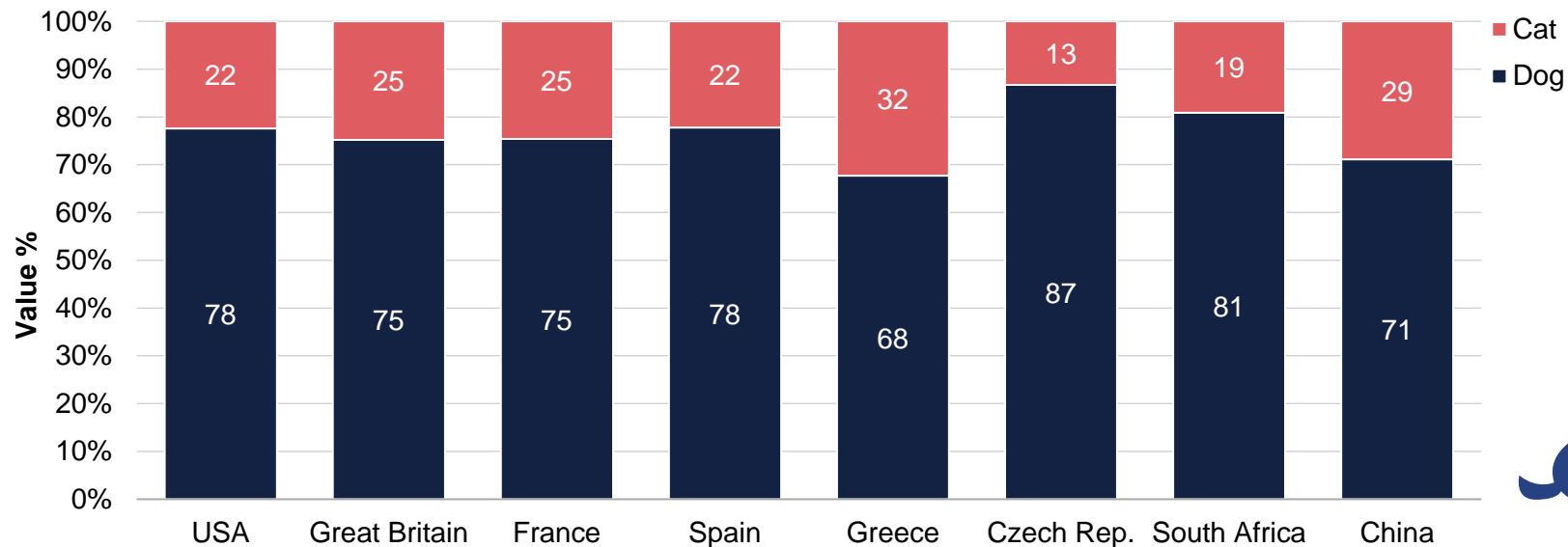
30%

55%

Species by Country

2015 Dollar Share of Sales

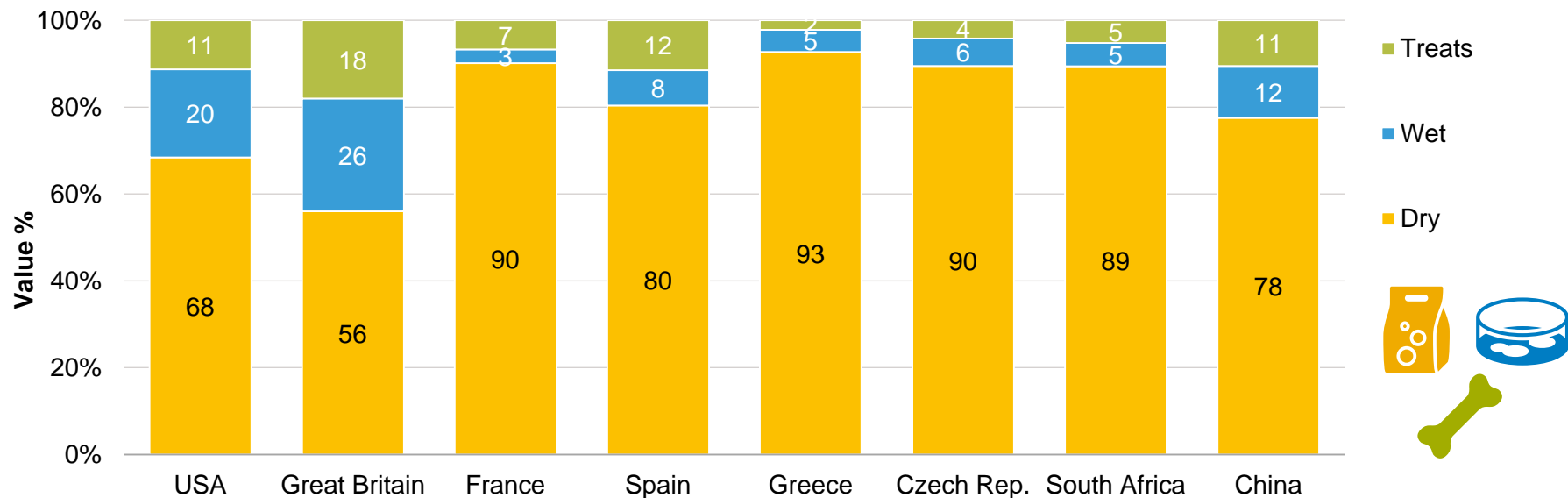
Dog foods rack up the majority of sales across the world.



Food Type by Country

2015 Dollar Share of Sales

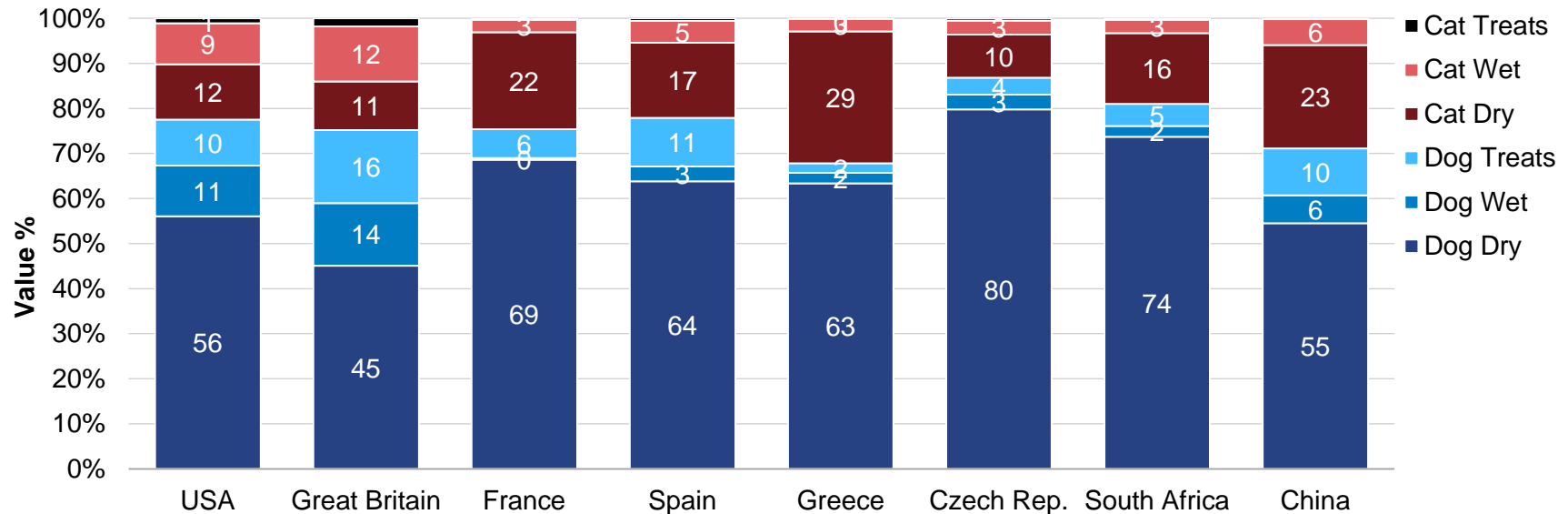
Dry foods are the **most sold food type** across the globe, with differing importance for wet foods and treats.



Food Type by Species and Country

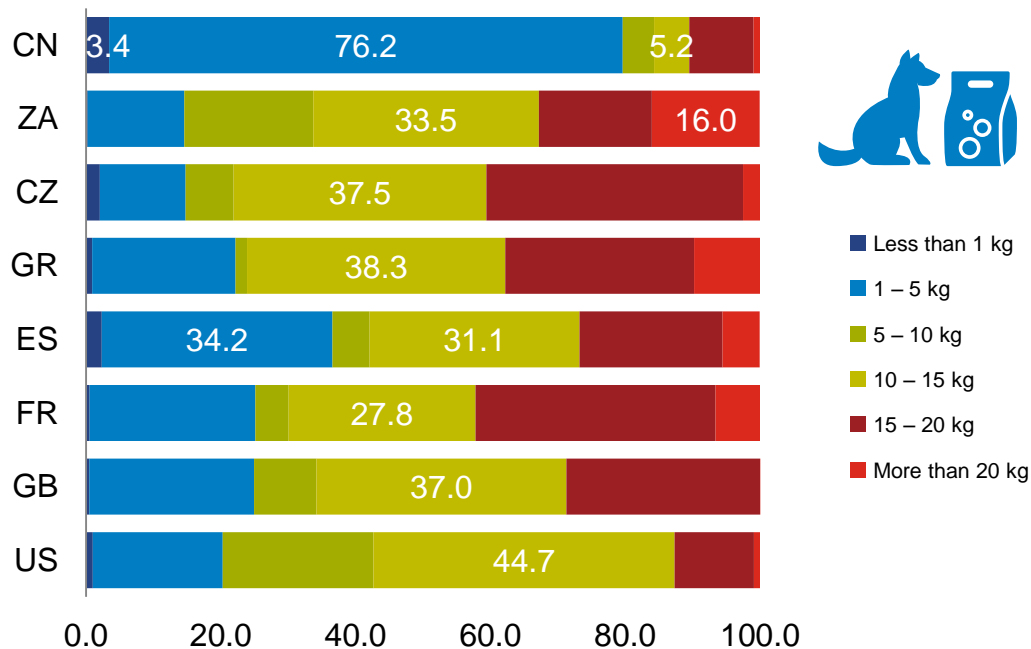
2015 Dollar Share of Sales

Dog Dry food accounts for at least 50% of all sales in each country. **Wet food** more popular in US&GB. Importance of **Cat** differs.



Dog Dry bag size by country - Dollar Share % - 2015

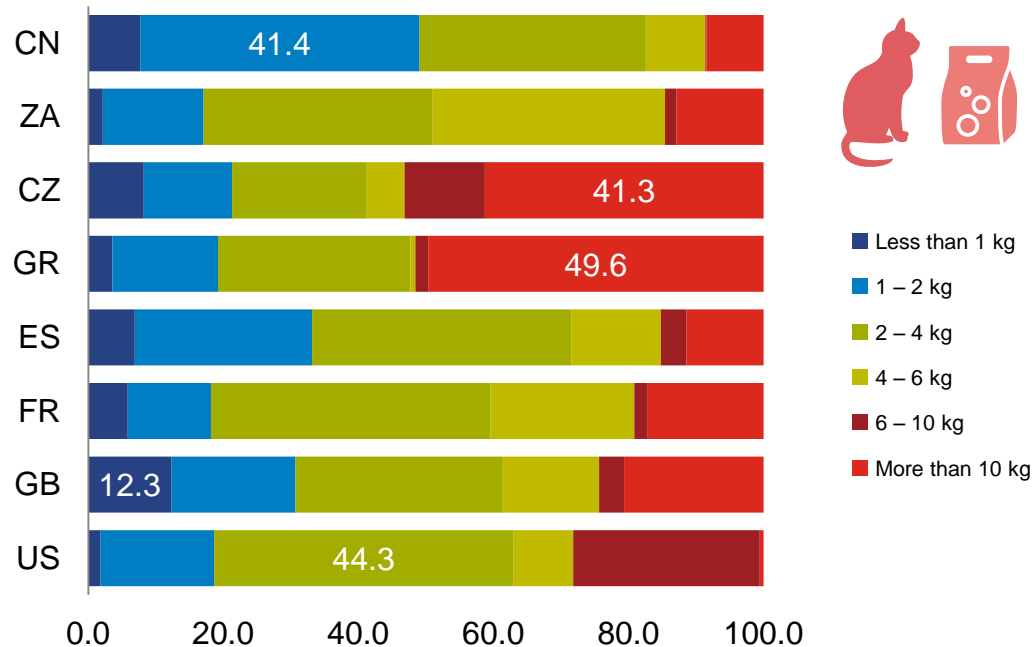
In China, small bags are top sellers due to popularity of small/toy breeds in urban areas



Val%	Small/ Toy	Medium	Large	Not Spec
CN	54	4	7	35
ZA	17	11	24	48
CZ	14	10	33	43
GR	10	17	19	54
ES	25	17	16	43
FR	18	24	27	31
GB	8	5	16	70
US	10	1	13	77

Cat Dry bag size by country - Dollar Share % - 2015

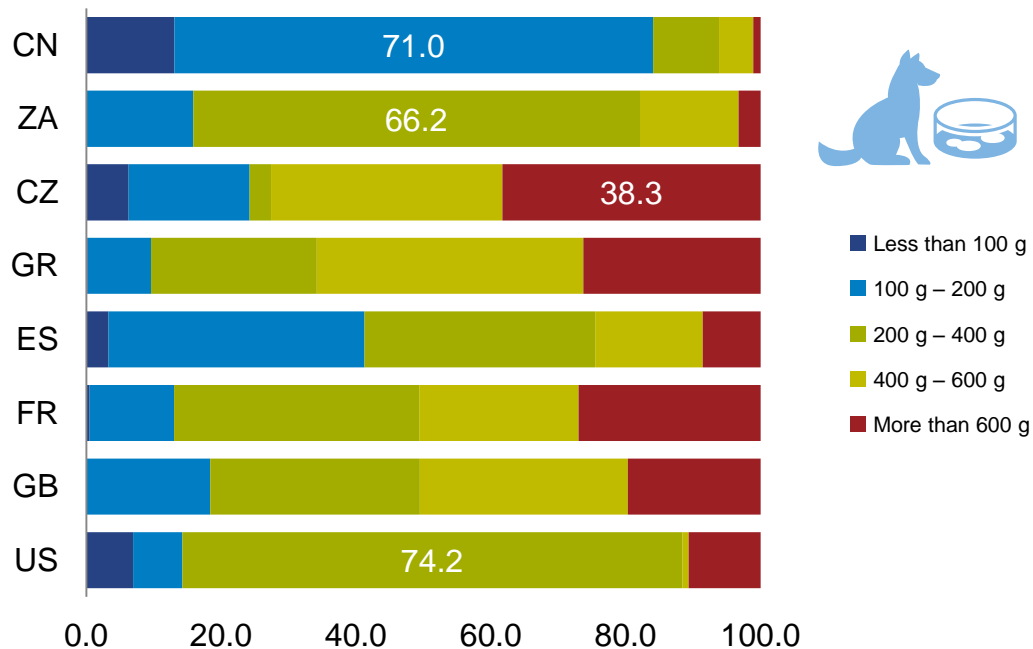
High share for small bags in China, Spain and Great Britain



The US has almost completely moved away from extra-large (+10kg) bags that are still popular in the other countries.

Dog Wet by Container Size – Dollar Share % - 2015

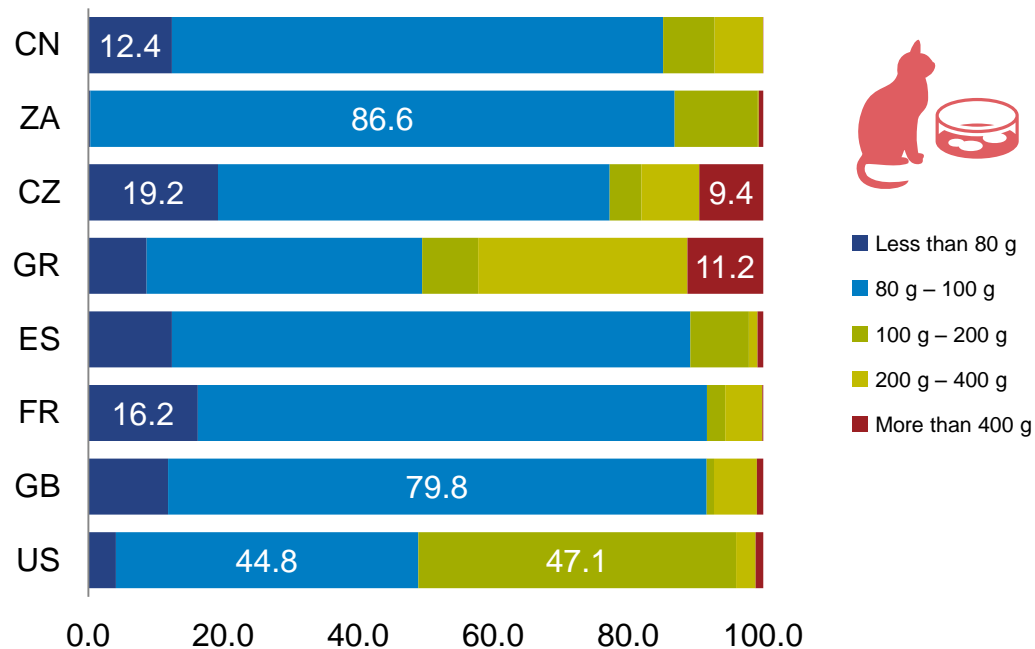
The majority of Dog wet food sold in cans, except for China who leads with pouches



Val%	Can	Pouch	Tray	Chub
CN	14	49	35	1
ZA	90	0	1	0
CZ	77	7	7	8
GR	84	2	11	3
ES	75	5	18	<1
FR	82	1	17	0
GB	33	20	21	1
US	80	2	6	4

Cat Wet by Container Size – Dollar Share % - 2015

Strong focus on cans in the US, while other countries lean more towards pouches



Val%	Can	Pouch	Tray	Chub
CN	27	71	2	–
ZA	19	82	<1	–
CZ	44	50	5	–
GR	74	18	7	–
ES	49	48	3	–
FR	29	69	3	–
GB	15	81	4	–
US	94	3	3	–

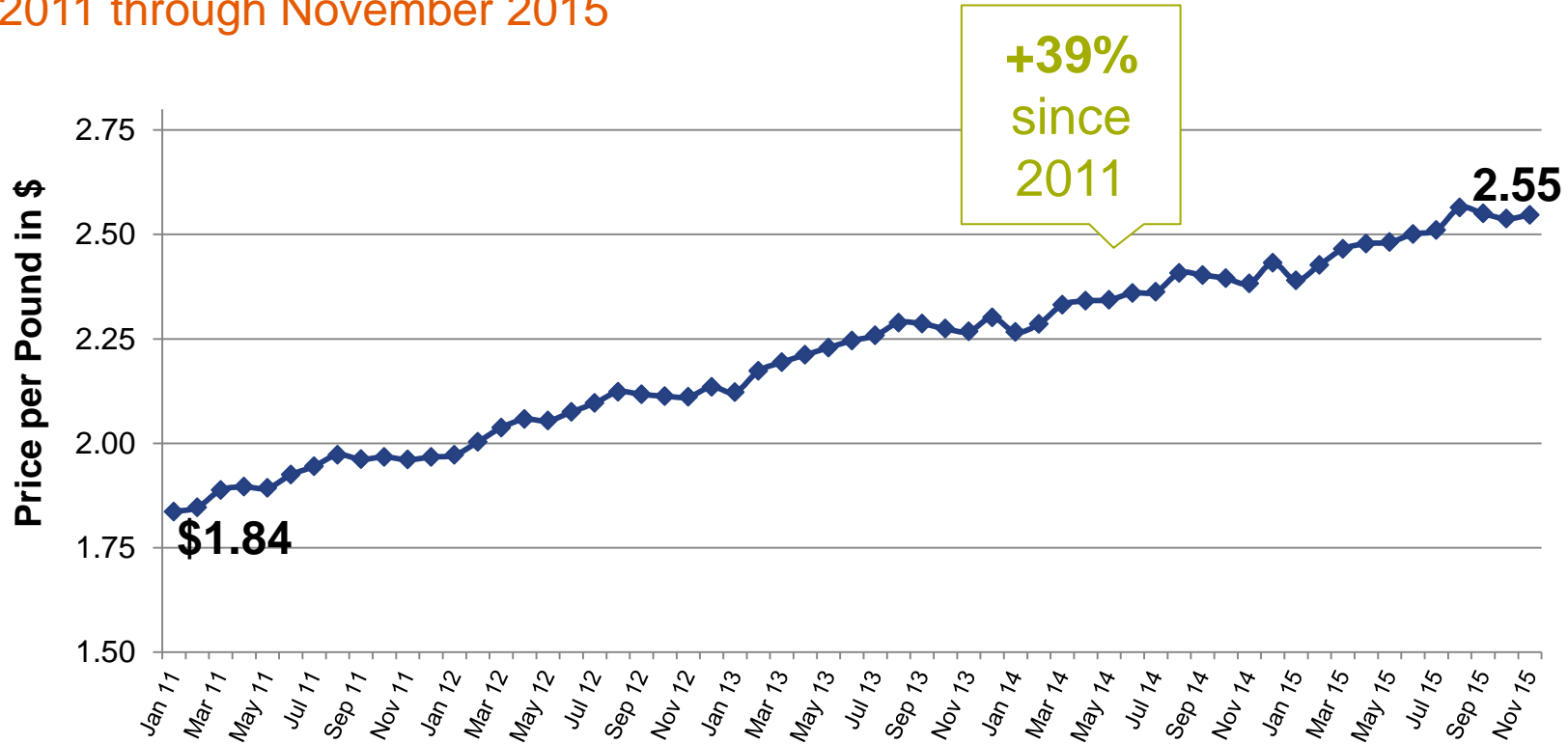
Popular proteins by segment – 2015 – \$ share

Chicken is a popular flavor globally

Country/food type	Dog dry	Dog wet	Dog treats	Cat dry	Cat wet	Cat treats
United States						
Great Britain						
France						
Spain						
Czech Republic						
Greece						
South Africa						
China						

Average Price per Pound – Food & Treats – US Pet Specialty

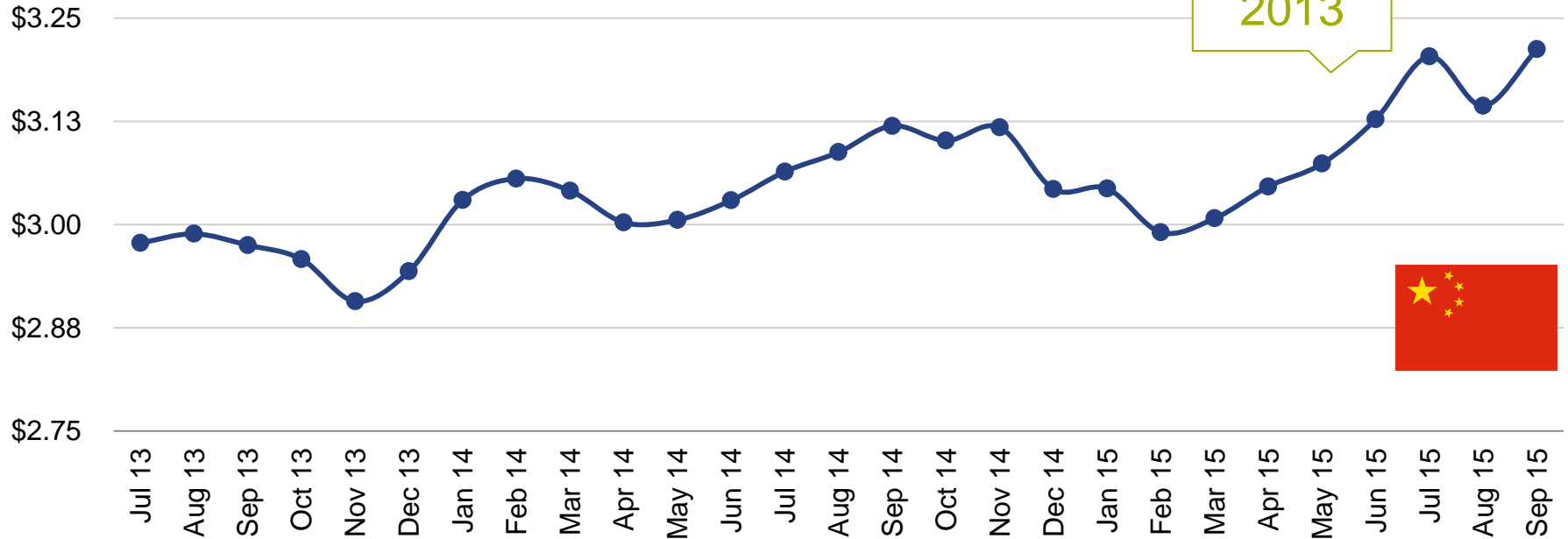
2011 through November 2015



Average price per pound – Food & Treats

China – July 2013 through September 2015

Price per pound in \$



Open Bags

China



China – becoming more premium



Premiumization of Petfood

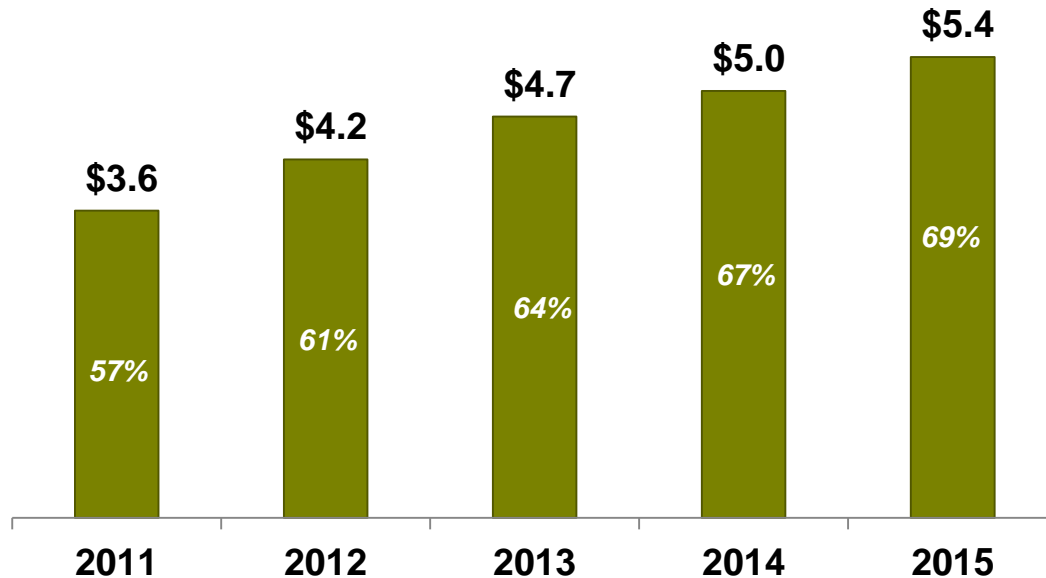
Natural Petfood




Natural Petfood Trend in the US (excl. Vet)

Large focus on Natural pet food products in the US

Natural – \$ Sales in Billion



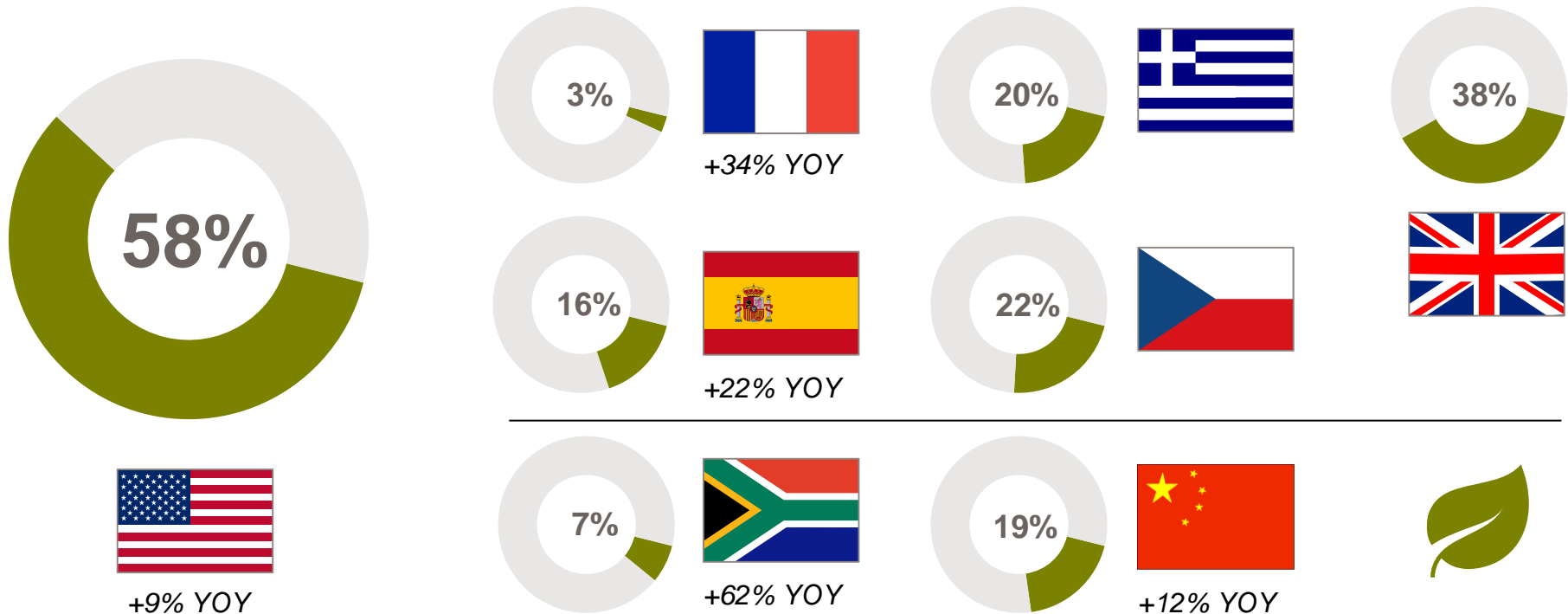
 **69%** of all sales in the US are attributed to Natural pet foods

 **4 out of 5** new items launched in 2015 were natural

 **+9%** sales growth in 2015

Natural Pet Food









\$ Share % and YOY Growth of Natural category - 2015



* Greece, Czech Republic and Great Britain panels were launched in 2015. YOY Growth Rates not yet available.

Natural

Share of Shelf vs. Share of Natural \$ Sales - 2015

Country	Natural % of shelf	Natural % of sales
 United States ¹	68%	69%
 Great Britain	34%	38%
 France	11%	3%
 Spain	19%	16%
 Czech Republic	15%	22%
 Greece	20%	20%
 South Africa	16%	7%
 China	24%	19%

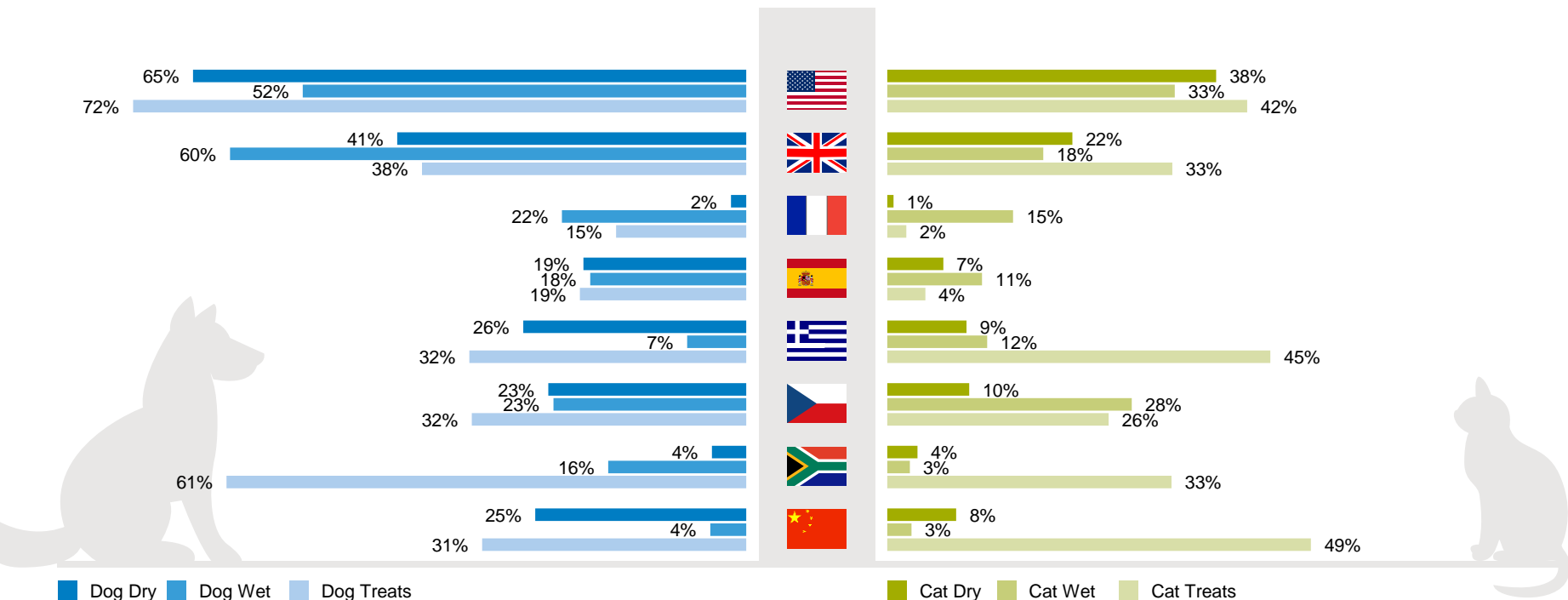
Great opportunity for shops in **Great Britain, Czech Republic** and **Greece** to dedicate more shelf space to **NATURAL** pet food products



¹ US market excludes Vet channel pet food sales.

Global importance of Natural by segment

\$ Share % for Full Year 2015



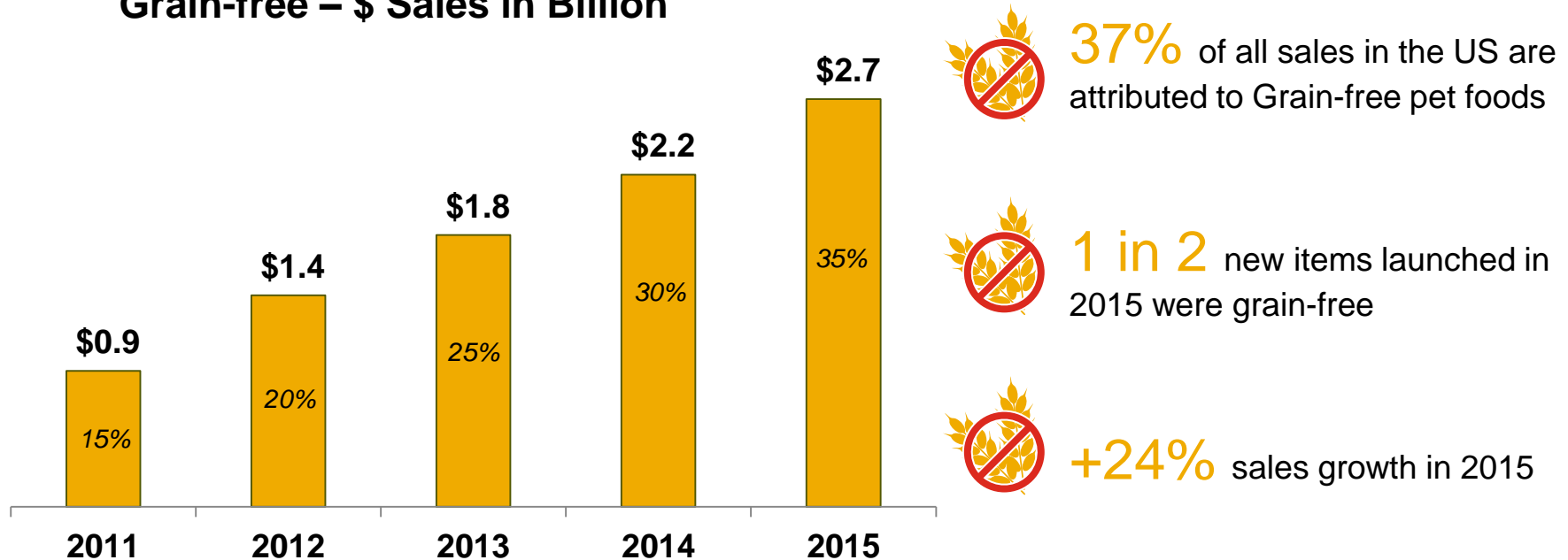
Grain-free Petfood



Grain-free Petfood Trend in the US (excl. Vet)

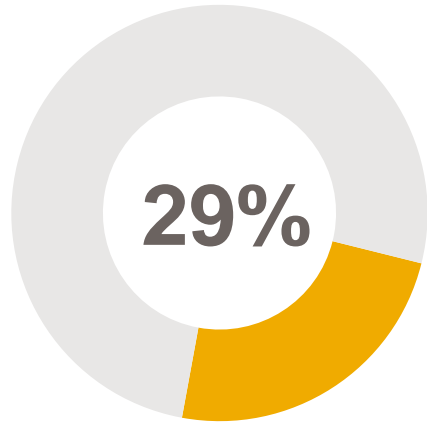
Grain-free is the key growth driver of the Natural category in the US.

Grain-free – \$ Sales in Billion

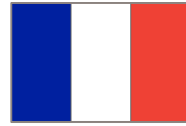
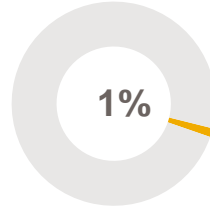


Grain-free Pet Food

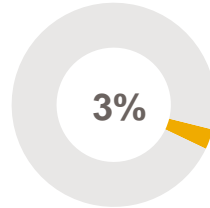
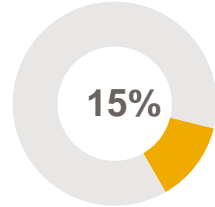
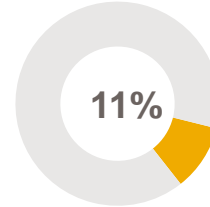
\$ Share % and YOY Growth of Grain-free category - 2015



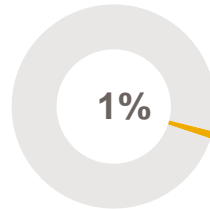
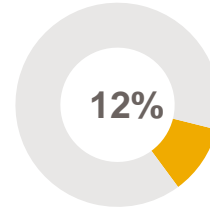
+24% YOY



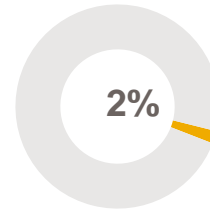
+274% YOY



+36% YOY



+123% YOY











+158% YOY



* Greece, Czech Republic and Great Britain panels were launched in 2015. YOY Growth Rates not yet available.

Grain-free

Share of Shelf vs. Share of Grain-free \$ Sales - 2015

Country	Grain-free % of shelf	Grain-free % of sales
 United States ¹	35%	35%
 Great Britain	10%	15%
 France	3%	1%
 Spain	5%	3%
 Czech Republic	9%	12%
 Greece	16%	11%
 South Africa	3%	1%
 China	9%	2%

Great opportunity for shops in **Great Britain**, **Czech Republic** and **Greece** to dedicate more shelf space to **GRAIN-FREE** pet food products

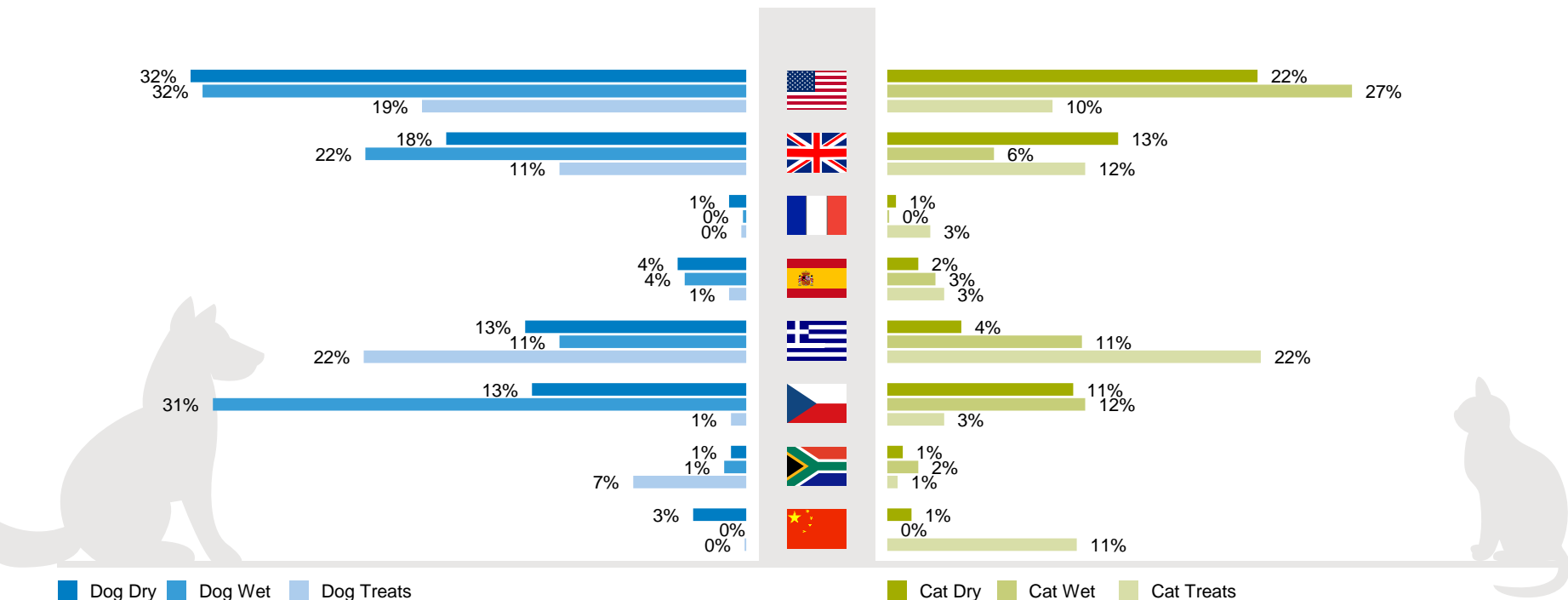


¹ US market excludes Vet channel pet food sales.



Global importance of Grain-free by segment

\$ Share % for Full Year 2015



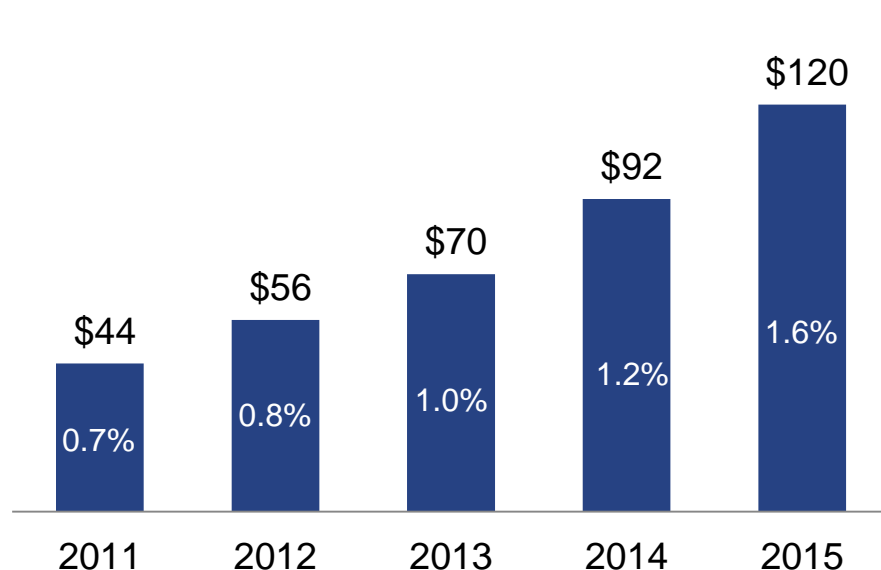


Raw/Frozen Petfood

Raw frozen/refrigerated pet food trend in the US (excl. vet)

Category remains small despite strong distribution and velocity growth since 2011

RAW FROZEN/REFRIG. – \$ sales in million



 **+33%** sales growth year over year

 **63%** distribution (up from 40% in 2011)

 **\$1,400** per store/month;
86% more than 2011

 **23 SKUs** per shop vs. 14 in 2011

Raw/frozen pet foods



The fear of recalls seems to be limiting the growth of raw/frozen food in the US

PET FOOD RECALL ALERT



The majority of pet food recalls in the US was linked to raw/frozen pet food products in 2015.



The new item share of frozen items declined from 5.3% in 2014 to 2.8% in 2015.



Future growth of Raw pet food in the US may continue to slow unless manufacturers can regain consumer confidence.

Australia

Pet Specialty



Australia

Supermarket



Other premium trends

Raw Alternatives

Freeze-Dried, Dehydrated/Air-Dried and “Kibble Plus” Options



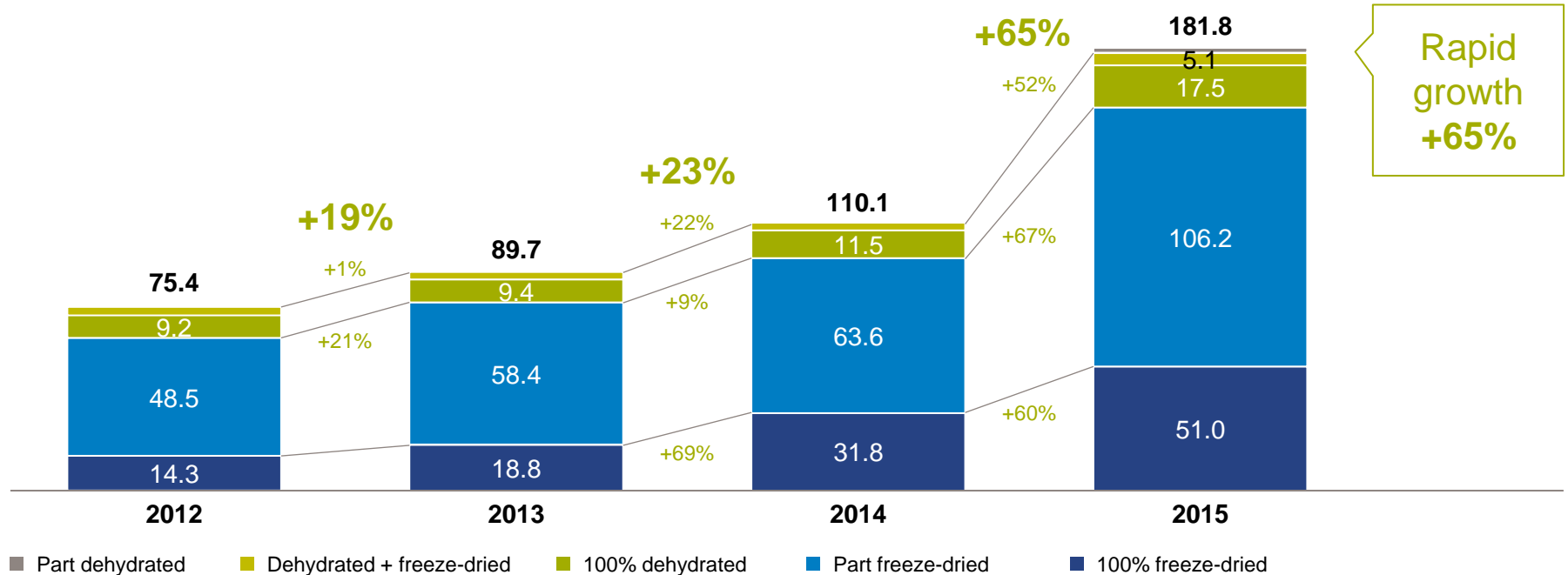
http://www.petfoodindustry.com/ext/resources/Images-by-month-year/15_07/freeze-dried-turkey-dog-food-1507PETfreeze.jpg

<http://www.dogperday.com/wp-content/uploads/2015/09/easyraw-three-steps.jpg>

<http://www.merrickpetcare.com/dogs/backcountry>

Freeze-dried/air-dried – pet food full meal

US pet retail/2012 – 2015 (\$ in million)



PALEO



PetSmart® Brings Paleo-Inspired Feeding to Pets as the Exclusive National Retailer of Only Natural Pet® – a Leading Natural, Sustainable Pet Brand.

“PetSmart is dedicated to providing our customers with innovative products to meet their desires for their personal pet lifestyles. We are thrilled to bring this pioneering Paleo-inspired natural pet lifestyle brand, Only Natural Pet, to our PetSmart customers.”



Which pet food trends will take hold globally?

Pets eat what they can find in nature, table scraps at home

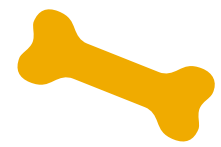


Major pet food Melamine Recall



Which trends will take hold?

- Raw?
- Freeze-Dried?
- Paleo?



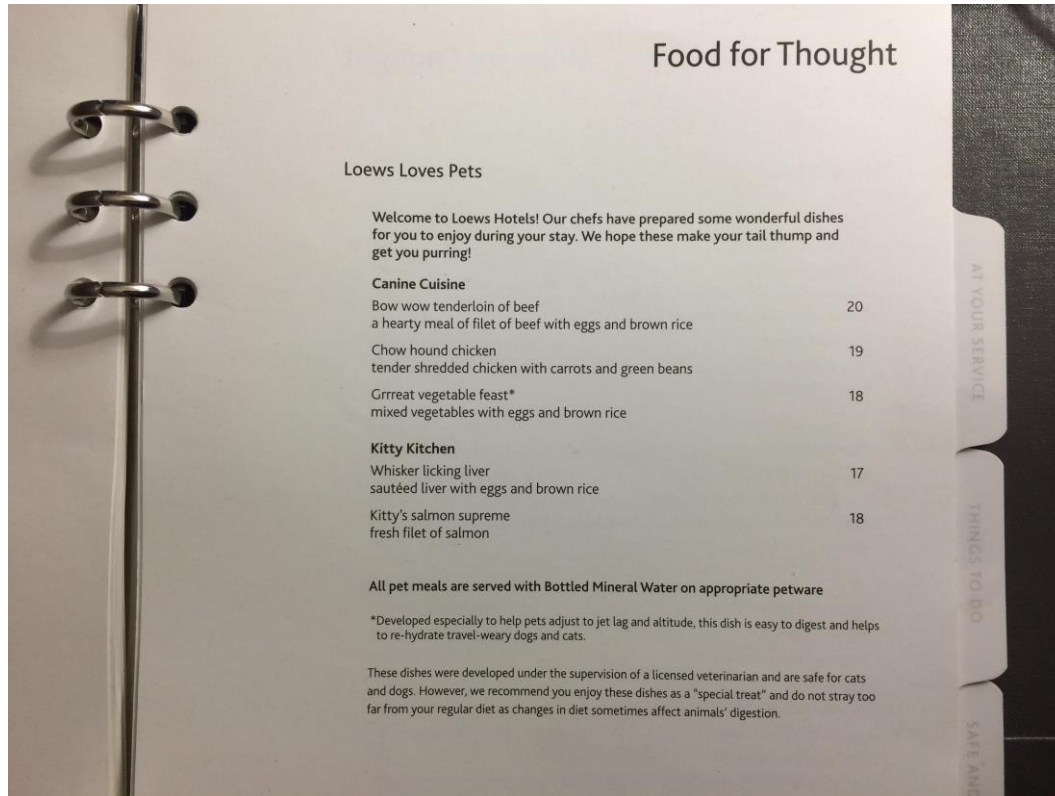
James Pratt pioneers prepared pet food

Improved technology “The extrusion process” creates a new era



Large choice of pet food products around the world

Room Service for Pets



Contact



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