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ASSALCO – ZOOMARK 2015 REPORT ON THE FEEDING AND CARE OF PETS

Pet: first-class citizens

SUMMARY

With the collaboration of



SUMMARY REPORT FOR THE MEDIA

The ASSALCO – ZOOMARK 2015 Report on pet food and pet care was drawn up by the National Association of Pet Food and Pet Care Companies (ASSALCO) and Zoomark International, the international trade fair of pet products and accessories, an event organised by Bologna Fiere in collaboration with the National Association of Italian Veterinarians (ANMVI) and IRI Information Resources. An annual benchmark for those in the pet business, the Report provides a **bird's eye view of the pet care market and the world of pets in general**, realised thanks to the collaboration of some of the sector's leading players and supported by scientific evidence, research and expert opinions.

1 – THE ITALIAN MARKET

A combined turnover of euro 1,830 million, with a total volume of 544,000 tonnes sold. These are the numbers for the Italian dog and cat food market, the main segment of the pet food and pet care products market in 2014. **The positive trend in value was confirmed, resulting in a significant growth of 2.4% year to year**, even greater than the growth registered in 2013 (+1.9% against 2012).¹ The changes in purchasing behaviour resulting from the growing popularity of pets of small/medium dimensions, which eat less, and the reduction of waste, which led to a gradual shift from medium-sized formats to individual portions (from medium to single serve) are reflected in the downturn in volume (-1.2%).

Concerning purchasing behaviour, pet owners are increasingly concerned about the health and well-being of their animals: sales of premium and superpremium foods are up, as well as highly functional foods that provide correct and balanced nutrition. All segments grew in the mass distribution channel, except for foods for other pets, which lost nearly 6% in value. **On the rise, instead, were anti-parasite products and accessories, particularly pet hygiene products, for which sales values were up by 3.9% against 2013.** The positive trend in pet care products and in snacks for oral hygiene provide evidence that there is an increasing tendency to consider pets as members of the family.

Functional snacks (particularly those for oral hygiene) and treats also turned in a dynamic performance, with pet shop chains posting increases of 17.5% for cats and 24.6% for dogs.

The cat food market, with cat owners particularly attentive to their pets' preferences, accounts for 54% of the total, with a value of euro 992 million. The dog food market accounts for the remaining 46%, for a total of circa euro 838 million: the report indicates greater awareness among pet owners about proper nutrition as a fundamental factor in

¹ IRI Information Resources, December 2014, totals for Italy.

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ensuring their pets' health and wellbeing and particular attention to following their veterinarians' advice.

More than half the sales in the Grocery and Traditional Petshop channel² are geographically clustered in Northern Italy (53.2%), especially in the Northwest area, which accounts for almost a third of total volume (32.7%) and registered the biggest variation against 2013, followed by Central Italy and Sardinia with 28.6%, the Northeast with 20.5% and the South with 18.2%.

Turnovers distinctly on the increase in mass distribution for accessories, with a value increase of 3.9% and a volume increase of 2.7%: at December 2014 the accessories market was worth ca. euro 66 million. The Hyper and Super channels account for most of the accessories sold: 97% in terms of both volume and turnover. The positive trend is driven by animal hygiene products, which includes shampoo, brushes, chewable bones for dentition, deodorants and everything related to health and beauty care, with value up 12.8% and volumes up 10.7% against 2013.

2 – FOREIGN MARKETS

At the global level, the pet market (pet food, products and accessories) is worth almost euro 100 billion, with strong growth (+10%) in the past 5 years and an increase of euro 18.5 billion over the past decade³. The leadership position is held by dog food, which accounts for almost half the total market value, with sales of more than euro 41 billion in 2014, with a snack segment worth euro 5.5 billion. Cat food accounts for an additional euro 25 billion, with the corresponding snack segment worth euro 900 million. Premium dog and cat foods continue to increase their market share: today they account for 20% of total sales, compared to 18% for discount foods and 62% for the middle range. Distribution of pet products to supermarkets is on the increase, with turnover at euro 19 billion, and in hypermarkets turnover is at euro 13 billion⁴, while pet shops and chains held steady at euro 16.5 billion and euro 14 billion, respectively, with the United States world leader in the latter channel, accounting for 63% of total sales.

United States

Over the past twenty years, the percentage of pet owners has more than doubled in the United States: today, 79.7 million families live with a pet; 10% are new owners, mainly from Generations X⁵ and Y⁶. According to a survey conducted by the American Pet Products

2 The only distribution channels surveyed in the IRI report.

3 Euromonitor International, 2014.

4 http://www.petfoodindustry.com/Global_update_premium_petfood_sales_projected_to_continue_growth_through_2019.html

5 Born between 1960 and 1980.

6 Born between 1980 and 2000.

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Association⁷, 74% of those interviewed did not cut back on expenses for the well-being of their pets despite the economic crisis. **In the USA, pets are estimated to include 83 million dogs, 96 million cats, 21 million birds, 18 million rodents, about 160 million fish and 11 million reptiles⁸.** US pet owners are also increasingly bringing their pets with them when they travel, with 28% of those surveyed choosing pet-friendly hotels and 9% patronizing restaurants that allow dogs and 8% working in jobs that allow dogs⁹. **Moreover, Americans are convinced that pets have a beneficial effect on their health: this is the opinion of 64% of pet owners and 97% of 1,000 family doctors surveyed in a 2014 study as part of the Human Animal Bond Research Initiative¹⁰,** a majority of whom would consider recommending a pet to their patients to improve their health (60% of those interviewed).

In 2014 the USA market grew by 4.2% against 2013, with an overall expense, including the cost of the animal itself, food, treats, accessories, hygiene and beauty products and services, of almost euro 54 billion, subdivided as follows: euro 20.6 billion for food; euro 12.7 billion for over the counter veterinary medicines; euro 13.9 billion for veterinary treatments; euro 3.17 billion for other services, such as salon care and boarding and almost euro 2 billion for the purchase of live animals¹¹. 2014 sales were up by 1% over 2013 in the pet food market.

Western Europe

There are more than 200 million pets in Europe, divided into 66 million cats, 60 million dogs, 39 million birds, 21 million rodents, 9 million aquariums and 7 million reptiles¹². **If we analyse only the Mass Market data,** we see that in 2014, for the first time after years of growth, **the pet care macro-category** (including food for dogs, cats and other animals and accessories) has stalled at the European level. Among the countries included in the IRI report, **the only ones to post positive growth figures were France and Italy, which, in this context, is the market with the best dynamics (+1.3% year to year).**

The cat food segment, which is the core business in the Mass Market channel pet food category at the European level, accounting for half the sales of the pet care macro-category (50%), posted a downturn of 0.5% in turnover against 2013 (euro -19.5 million), as did dog food (euro -7.6 million) and foods for other animals (euro -24 million), whereas accessories showed **good growth (+2.5%), for an overall value increment of euro +20.3 million in 2014.** One of the particularly innovative product launches involved treats with an oral hygiene function.

7 APPA - 2015-2016 National Pet Owners Survey.

8 Ibid.

9 Ibid.

10 Human Animal Bond Research Initiative (HABRI) - http://www.habri.org/docs/HABRI_Physicians_Survey.pdf.

11 APPA - 2015-2016 National Pet Owners Survey.

12 FEDIAF 2012.

Eastern Europe

Although starting from a very low baseline, the pet care market in Eastern Europe has posted strong growth in the past few years¹³. Pets are considered part of the family, so owners are increasingly concerned about their health and wellbeing, preferring industrial pet food to scraps and household leftovers and creating a market for premium products, especially for dog and cat food. In this region we see strong polarisation and significant differences from one country to another: some markets are characterised by relatively high spending but slow growth (especially Hungary and the Czech Republic), while others (like Russia and Rumania) spend less but grow more rapidly. The market is indubitably dominated by cats, with treat sales increasing by 30% in the period 2009-2014 and a 15% rise in sales of premium products¹⁴. The strong growth of products for health and wellbeing, particularly in Hungary and the Czech Republic, is also worthy of note¹⁵.

Southeast Asia

The Southeast Asia market is worth euro 880 million¹⁶, with growth projections of 6.8% from today until 2020¹⁷. Thailand is the dominant player, with 43.2% of the market at present, and the Philippines and Vietnam seem poised to assume increasingly important positions. Dogs account for 51.6% of the market, with a projected growth of 6.7% over the same period, led by premium products, although the standard and discount categories still account for greater proportions of the total. The majority of pet products are sold in supermarkets, but it is the veterinary clinics with “pet corners” that have shown the most rapid and substantial growth, underscoring the tendency of consumers to choose quality products for the health and wellbeing of their pets and thus preferring sale points where they can rely on the advice of an expert.

Latin America

Latin America is the largest emerging market, driven by Brazil, one of the world’s most important economies. In the Latin American context, dry dog food is the leading category, with a market share of 75%¹⁸. Another plus is Mexico’s rapid growth (at the same rate as Brazil and Russia) in this sector, where it was already world leader, along with the USA, Brazil, Japan and France.

13 Euromonitor International.

14 http://www.petfoodindustry.com/Global_update_premium_petfood_sales_projected_to_continue_growth_through_2019.html.

15 Euromonitor International.

16 Future Market Insight (FMI), Southeast Asia pet care – Market analysis and opportunity assessment, 2014-2010.

17 Compound annual growth rate (CAGR).

18 http://www.petfoodindustry.com/Emerging_petfood_markets_Latin_America.html.

Brazil

Brazil is definitely the foreign market posting the most rapid growth over the past few years: second only to the United States, **today it accounts for 8% of the global market, for a value of euro 4.5 billion in 2014**¹⁹. Market growth is attributed to a corresponding growth in disposable family income and the expansion of the middle class, making Brazilians more likely to adopt a pet, and an attitude towards the health and wellbeing of animals that drives sales of pet food and health and hygiene accessories. Second country in the world in terms of the number of cats and dogs and fifth overall for number of pets, which currently number 106 million, Brazil is home to 37 million dogs, 21 million cats, 19 million birds and 26 million fish²⁰. Pet food accounts for 65.7% of the domestic market: from 2008 to 2013 the value of sales of dog food increased by euro 2.7 billion, reaching euro 4.4 billion²¹; cat food sales rose equally significantly, going from euro 494 billion in 2008 to euro 775 billion in 2013; total sales of health and hygiene products reached euro 6.65 billion euro in 2013, driven principally by the growth in health and wellbeing products.

Russia

In Russia, per capita income is on the rise and the middle class is expanding, and with it the monthly amount families devote to pets, now at about 46 euro, driving the national market for pet products to euro 2.4 billion²². There are 67 million pets in Russia today, 36 million of them cats and dogs, owned by 28% and 37% of families, respectively. **The pet food market is growing by 8.7% year to year, and is projected to reach euro 2 billion in 2015.** The premium range of cat and dog food shows strong growth, with sales rising by 66% from 2009 to 2014, and the medium and discount product ranges also expanded, by 49% and 34%, respectively. The same period also marked a rise in sales of pet treats, with cat snacks accounting for euro 28.7 million and dog snacks euro 51.8 million.

India

Characterised by rapid urbanisation and a **growing number of pets, India is one of the most dynamic countries in the pet food and pet product sector, with a market worth over euro 96 million**²³. The pet population is growing, with 13 million at present, of which 8 million dogs, followed by cats, with different distributions in the various regions of the subcontinent: families adopt over 600,000 pets yearly, especially the wealthier ones. Pet food accounts for 80% of the Indian market, with the dog food segment posting the highest sales,

19 Euromonitor International.

20 ABINPET.

21 Euromonitor International.

22 Euromonitor – Pets International September 2014.

23 Euromonitor International.

followed by cat food and fish food²⁴. Despite the relatively low purchasing power of local consumers, snacks are beginning to gain market share.

China

In China, total pet care sales amounted to over euro 1 billion, up again in 2014 due to the constantly increasing demand for pet food and pet products, for a steadily increasing number of pets²⁵. Growth is principally driven by the gradual increase in the degree of penetration of pet food and a more widespread awareness of animal needs, as well as more disposable income, due to the general economic growth in the country. Pet food still accounts for only 37% of the total market, but 33 million Chinese families own a dog or a cat. Recent estimates put the number of pets in China at 288 million, of which 27 million dogs and 11 million cats. The growing number of people who choose to live with a pet is linked to the growing number of families without children and the increase in the number of people over 60. Pet food sales have grown by 5% to 12%, depending on the segment²⁶, and sales of premium pet foods are up by 10% to 13%.

3 – PET&HEALTH

According to the study conducted by the Milan CNR in February 2015, published in Biological Psychology²⁷, animals have a special “status” for our brain, which is able to distinguish them from inanimate objects before we are even aware of the difference, with a rapid and automatic process. This accounts for children’s preference for animals and representations of them, like stuffed toys and cartoons (explaining the success of Peppa Pig). The bond that is formed between pets and their owners is a dynamic relationship that brings mutual benefits. Increasingly convincing scientific evidence and clinical observations have led to the use of animals for therapeutic and rehabilitative purposes with the ill, children and the elderly, in “pet therapy” sessions that are sometimes coupled with more traditional approaches.

Pet therapy consists of activities that facilitate a positive change and provide support. To promote a correct man-animal relationship, with therapeutic, educational and recreational value, the Italian national and regional institutions promote the carrying out of Assisted Interventions with Animals (Interventi Assistiti con Animali - IAA) in the form of Assisted Therapy with Animals (Terapie Assistite con Animali -TAA), Assisted Education with Animals (Educazione Assistita con Animali - EAA) and Assisted Activities with Animals (Attività Assistite con Animali – AAA).

²⁴ Research and Markets – India Pet Food Market Forecast and Opportunities, 2019.

²⁵ Euromonitor International.

²⁶ Euromonitor International.

²⁷ Zani A, Marsili G, Senerchia A, Orlandi A, Citron FMM, Rizzi E, Proverbio, ERP signs of categorical and supra-categorical processing of visual information, doi:10.1016/j.biopsycho.2014.11.012

Pet therapy projects are under way in health care structures such as Milan's Niguarda Hospital, Naples' Cardarelli Hospital and the Meyer Paediatric Hospital in Florence, as well as in rehab structures like San Patrignano and at schools, nursing homes (RSA) and correctional facilities. An experience that stands out among the rest is that of the Milan Correctional Facility II in Bollate, where the Department of Veterinary Science and Public Health of the Milan Statale University is coordinating a pet therapy project for inmates, in the form of a training course for "dog sitters", in an attempt to combine cultural growth and re-entry of inmates into society and the job market in the sector of dog care in kennels²⁸. In each region there is at least one project of assisted therapy with animals: in Friuli Venezia Giulia the guidelines for practicing pet therapy were promulgated in October 2014, while in Tuscany the regional government approved some rules in December 2014 for allowing hospitalised patients to receive visits from their pets, within the limitations imposed by hygienic and environmental norms and in the interests of the patients and the wellbeing of their animals²⁹. National guidelines are currently being drawn up.

According to SCIVAC (Italian Cultural Society of Pet Veterinarians)³⁰, one of the veterinarian's tasks is to prevent pathologies from arising, even more than treating them, by providing their clients with the guidelines necessary to keep their pets in good health. In this sense, particular attention must be paid to feeding, because what our animals eat has more effect on their health and life expectancy than any other variable³¹.

As clearly shown by international scientific research, **the use of balanced pet foods has reduced the incidence of conditions associated with lack of certain nutrients or nutritional imbalances**: for numerous pathological conditions, veterinarians can rely on dietetic foods that will contribute to resolving or minimising the symptoms, making food a genuine health care tool for animals³². For example, recent studies have shown that dogs and cats suffering from chronic kidney malfunction fed specific dietetic products show an improvement in kidney function and increased average life expectancy³³.

28 "Cani dentro e ...fuori" is the name of the project, promoted in collaboration with the National Educational Sports Centre, a national body recognised by the Italian Olympic Committee (CONI), and the non-profit groups "Cani Dentro" and "Cercapadrone".

29 Resolution N 1233 of 22-12-2014 Tuscany Region.

30 SCIVAC (Italian Cultural Society of Pet Veterinarians), founded in 1984, is the largest scientific veterinary association in Italy. Its mission is the scientific and professional education of its members, as well as the protection of the interests of Veterinarians and the promotion of the dignity and public reputation of the category. It presents an annual agenda of scientific meetings, including national conferences and seminars, regional seminars, specialised initiatives, practical courses and didactic programmes, and an ongoing publishing activity that covers a vast array of scientific publications.

31 Zoran, Debra L, et C A Tony Buffington. 2011. « Effects of nutrition choices and lifestyle changes on the well-being of cats, a carnivore that has moved indoors ». Journal of the American Veterinary Medical Association 239 (5): 596 606.

32 O'Brien, Teresa, David G. Thomas, Patrick C. H. Morel, et Kay J. Rutherford-Markwick. 2015. « Moderate Dietary Supplementation with Vitamin E Enhances Lymphocyte Functionality in the Adult Cat ». Research in Veterinary Science, janvier. doi:10.1016/j.rvsc.2015.01.007

33 ELLIOTT DA "Nutritional management of chronic renal disease in dogs and cats", Vet Clin North Am Small Anim Pract. 2006 Nov;36(6):1377-84,

The National Plan for official controls on Animal Foods (Piano Nazionale Alimentazione Animale – PNAA)

Because of the importance that nutrition has in ensuring the health and wellbeing of pets, **pet food is among the products regularly verified by the authorities. One of the normal control made by the competent authorities is made in the context of the National Plan for official controls on Animal Foods (PNAA), drawn up by the Ministry of Health in collaboration with the main national authorities for control and analysis for the period 2015 – 2017.** The document's objective is to create an official system for the control of animal food along the entire production chain, in order to achieve a high level of protection of human and animal health and the environment, in compliance with EU norms.

The Plan contains consistent and comprehensive measures that will ensure the attainment of the animal food safety objectives; these also include pets, which are increasingly perceived as real family members and are more and more widespread in our society. Moreover, the measures aim at harmonizing controls at a local level, as well as the procedures and actions to be adopted in the event that any non-conformities are found.

In the report on official controls during 2013³⁴, when the veterinary services were involved in carrying out a important but common widespread sampling collection, at every level of production and sale, of products destined for feeding pets and for raising animals for commercial purposes, **out of a total of 10,700 samples collected, only 0.55% did not comply with the applicable norm.** This is yet a confirmation of the meticulous attention that the pet food industry devotes to producing safe products, not only in order to satisfy the norms but also thanks to the implementation of self-regulatory manuals at the European level³⁵.

According to a recent **study by the National Association of Italian Veterinarians (ANMVI)³⁶, there are more than 7,000 veterinary structures in Italy,** which can be broken down into five types: the medical office (which does not provide surgical services), the veterinary clinic (accounting for about 77% of the total), the clinics offering residential care (where animals can be boarded: these represent 13% of the total), the private hospital (with emergency services and a laboratory) and the testing laboratory. In addition to general examinations and check-ups, carried out by nearly all the structures (99.3%), 94% also perform simple surgery, while 41% can also offer specialised radiology services. A growing percentage (4%) also offers behavioural consulting, a new area of veterinary services that is destined to grow.

34 "Rapporto sui controlli ufficiali nel settore dell'alimentazione animale eseguiti nell'anno 2013"

http://www.salut.gov.it/imgs/C_17_pubblicazioni_2267_allegato.pdf

35 Federazione Europea delle Industrie per Alimenti per animali da compagnia (FEDIAF), "Manuale di Buone Pratiche di Produzione".

36 ANMVI, 2014.

4 – PETS ARE FIRST-CLASS CITIZENS

There are almost **60.5 million pets in Italian households, of which 14 million cats and dogs, 13 million birds, 30 million fish and about 3 million between reptiles, rodents and other small animals.** These are the findings of a survey conducted by Euromonitor in June 2014³⁷, which confirm an overall stability over time. As for dogs, the number registered with the Vital Statistics Bureau for Pets (obligatory for 24 years now) in Italy is 7.7 million.

A study conducted by GfK Eurisko³⁸ for Assalco in 2015 on a representative sample of 1,000 people found that 334 of them owned a cat or a dog. In reply to a question about the feelings generated by their pets, respondents answered as follows: **serenity and joy (43%), fun and high spirits (36%), peace and tranquillity (16%), security (6%).** It should be noted that the youngest owners report more fun and high spirits, while joy, peace and tranquillity are emotions typically reported by an older target. In general, **Italians who do not own pets agree with those who do on the fact that pets improve the quality of one's life in several ways:** they stimulate their owners to engage in physical activity (94% of pet owners vs 87% of non-owners); they have positive effects on psychological health (95% vs 86%); they can facilitate socialisation and communication (81% vs 79%); they can have positive effects on physical health (74% vs 67%) and stimulate intelligence (76% vs 67%).

These impressions are confirmed by international scientific findings, with studies that show, for example, the usefulness of pet therapy in treating autism³⁹, not only with cats and dogs, but even with fish, as shown in a study conducted at the University of California on the benefits of keeping an aquarium⁴⁰, and, in a more clinical psychiatric setting, in a study conducted by the Neurobehavioral Research Laboratory and Clinic (NRLC) on an “aquarium therapy” project: after all, the pleasure of “watching the fish” in an aquarium has long been known, and it is commonly held that they reduce levels of stress and anxiety⁴¹, muscle tension and heart rate⁴².

Benefits that anyone can take advantage of, because – again according to the GfK Eurisko survey of 2015 – living with a dog or cat is not particularly costly: in other words **“keeping a pet is democratic”.** According to another study⁴³, **65% of Italians believe that everyone can afford to keep a dog or a cat. The only expenses from the owners' family budgets are those for veterinary medicines, because the VAT tax on pet food and veterinary bills is 22%, a record “tax burden” recognized by the OECD itself.**

37 Euromonitor, June 2014

38 GfK Eurisko for the Assalco – Zoomark 2015 Report

39 Study published in Ethos – Journal of the society for psychological anthropology, March 2010 - Solomon, O. (2010), What a Dog Can Do: Children with Autism and Therapy Dogs in Social Interaction. Ethos, 38: 143–166. doi: 10.1111/j.1548-1352.2010.01085.x

40 Aline H. Kidd and Robert M. Kidd (1999), Benefits, problems, and characteristics of home aquarium owners. Psychological reports: volume 84, issue , pp. 998-1004. Doi: 10.2466/pr0.1999.84.3.998

41 Nancy Edwards, Purdue University, June 1999, <http://www.purdue.edu/uns/html4ever/1999/990628.Edwards.fish.html>

42 DeSchraver, Mary M.; Riddick, Carol Cutler, Effects of Watching Aquariums on Elders' Stress, Anthrozoos: A Multidisciplinary Journal of The Interactions of People & Animals, Volume 4, Number 1, 1990, pp. 44-48(5)

<http://www.ingentaconnect.com/content/bloomsbury/azoos/1990/00000004/00000001/art00006>

43 Fuori TG on RAI 3 Wednesday, 20 January 2015

Pet 2.0

Online content about pets has a strong uniting valence, not just among pet owners, but also among web surfers who can find online numerous comments posted by owners. **Pets are a favourite subject, above all on the web. In Italy online searches about the category “pets and animals” have increased by 16% during 2014⁴⁴: in particular, in Italy, if one keys in the Italian word for ‘dog’ (*cane*), a list of more than 1 million videos appears, and the word for ‘cat’ (*gatto*) generates 748.000 clips.** There are also many forums dedicated to animals, to which people refer systematically to answer their questions and share their experiences.

The Italian legislation

Italian law has increasingly taken into consideration pets in recent years, starting with the 1991 law requiring owners to register their pets with the Bureau of Vital Statistics for Pets. Law 189/2004 makes it a crime to abandon a dog or cat, and Law 120/2010 makes it obligatory to assist an animal in distress after a traffic accident, and Law 201/2010 against the illegal trade in unregistered puppies, as well as the very recent law extending the ban against poisoned lures and baited traps. The 2013 reform of condominium regulations makes life easier for pet owners by establishing that it is no longer legal to prohibit the ownership or keeping of pets in an apartment. **In the future, there is optimism for the institutional recognition of pets as members of the family, with the right/obligation to be registered in the 2021 Census, as well as the recognition by the Italian Constitution that animals are sentient beings.**

Per ulteriori informazioni:

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