

PETFOOD NEWS

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CVM Updates

FDA Issues Draft Guidance that Consolidates and Updates Policies on Practices to Prevent Contamination of Animal Food from Unsafe Drug Carryover

Today the U.S. Food and Drug Administration issued a draft guidance for industry (GFI) that compiles and describes established practices that medicated feed manufacturers can use to prevent contamination of animal food from unsafe drug carryover into other batches of medicated feed or non-medicated animal food. Drug carryover usually happens when an approved drug used in a batch of medicated feed is inadvertently included in a subsequent manufactured batch of animal food.

Drug carryover can occur for various reasons, including: the use of the same equipment to manufacture both medicated feed and non-medicated animal food; the design, construction, or inadequate maintenance of manufacturing equipment; poor dust control in a feed mill; inadequate cleanout practices for manufacturing and distribution equipment between sequential manufactured batches of animal food; or human error.

It is important to avoid carryover of a drug from one batch of animal

food to another to protect animals from unintended exposure to animal drugs. However, factors like the ones described above could make it difficult for manufacturers to completely avoid drug carryover. This is why manufacturers need to establish and follow Current Good Manufacturing Practice requirements (CGMPs), including proper cleanout procedures. The draft GFI issued today covers several commonly used practices to help medicated feed manufacturers minimize the risk of drug carryover.

The FDA has advised animal food manufacturers and the public about the unfortunate and sometimes fatal consequences of unsafe drug carryover. For example, monensin, an ionophore animal drug approved for use in cattle and poultry feed, is highly toxic and potentially lethal to horses, even at relatively low levels. The FDA issued two warning letters (letter 1, letter 2) to animal food manufacturers for, among other issues, mixing cattle food containing monensin and then mixing horse food using the same equipment in a manner that failed to prevent carryover of the monensin. In one case, multiple horses died and in another, multiple cows died.

When finalized, draft GFI #272 will not change the substance of existing policies or introduce new policies. Rather, it will consolidate much of the information found in two outdated Compliance Policy Guides (CPGs) and include current animal food regulatory information and updated examples of factors to consider when designing sequencing practices.

The FDA plans to withdraw CPG Sec. 680.500, Unsafe Contamination Compliance Policy Guides of Animal Feed from Drug Carryover and CPG Sec. 680.600, Sequencing as a Means to Prevent Unsafe Drug Contamination in the Production, Storage, and Distribution of Feeds after this new guidance has been finalized.

Beginning on May 10, 2022, the FDA will accept public comments on Draft GFI #272, “Practices to Prevent Unsafe Contamination of Animal Feed from Drug Carryover.” Submit comments by August 8, 2022, to ensure that the FDA considers them before it begins work on the final version of the guidance.

To electronically submit comments to the docket, visit www.regulations.gov and type FDA-2022-D-0173 in the search box. To submit comments to the docket by mail, use the following address. Be sure to include docket number FDA-2022-D-0173 on each page of your written comments.

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Industry News

Latin American pet food producers innovate with technology

As in other leading pet food markets, Latin America is seeing new examples of innovation and technology.



Latin America joins other leading pet food markets regarding product innovation and technology. For example, Argentinian companies are progressing in this area, launching new product developments encompassing humanization combined with technology.

Grupo Molino Chacabuco is one company guiding the modernization efforts by expanding the product offerings of its 25-year-old flagship

brand, Raza. The company is reinventing itself on a few fronts. For instance, they recently launched a snack product containing human-grade ingredients, which looks like snack bars for kids.

In addition, Raza launched a stew-type wet food for dogs and cats in a brick carton container, something unseen in the local market.

Technological innovation is a new pet food trend

The use of technology in pet food product formulations is a competitive advantage and a further step toward humanization. According to Rodrigo Vásquez Millán, marketing manager at Grupo Molino Chacabuco, they are innovating in the market using resveratrol, a powerful natural antioxidant usually for human consumption, in their super-premium product Juvenia Nutrition.

Other examples of innovation for Grupo Molino Chacabuco are Raza en Casa for sedentary dogs, which provides a few functional benefits such as weight control, consistent stool quality and good breath.

Vásquez believes adapting human food developments into pet food is a big trend nowadays. He added that all their products, premium and economy, are subject to the same production processes and ingredient quality, regardless of price.

Therefore, Grupo Molino Chacabuco is an example of how innovation can transform a traditional pet food company into a reinvented local

leader.

Clear product messages must accompany innovation

Latin American pet food companies used to overlook the impact of clear messages to consumers. Yet, this is rapidly changing as market leaders see the need to differentiate from competitors and connect with consumers on a new level.

According to Vásquez, his company welcomes competition as it helps them continue growing. Grupo Molino Chacabuco uses few digital channels and mass media to communicate and create a strong bond between consumers and the company. “The idea is to connect our product claims emotionally and humanly,” he said.

UK pet ownership at 62% overall in 2022, dogs top list

In the United Kingdom, more than six in ten households (62%) own some kind of pet.



In the United Kingdom, more than six in ten households (62%) own some kind of pet, according to the UK Pet Food Manufacturers' Association (PFMA). PFMA conducted a survey of nearly 9,000 UK households. Dogs remained the most common pets with 13 million animals, followed closely by cats with a population of 12 million. Also featuring in PFMA's top ten charts are 1.6 million indoor birds, 1.4 million domestic fowl, 1 million rabbits, 900,000 guinea pigs, 700,000 pigeons, 600,000 hamsters, 600,000 tortoises (and turtles) and 600,000 horses (and ponies). The

survey of almost 9,000 UK households confirmed that dogs top the charts with 13 million, followed closely by cats with a population of 12 million.

All together there are almost 4 million birds being kept as pets by approximately 1.5 million households – an increase of almost one quarter (23%) on the previous year's figures. Small mammals are also strong with a total of 2.5 million rabbits, guinea pigs and hamsters kept by around 1.5 million households.

Fish were not measured as individual animals by the PFMA survey, but there were 8 million indoor fish tanks (17% households) and 6.5 million outdoor ponds (12% households). These figures are up by around 60% on last year when 5 million owned an indoor tank and 4.1 million had a pond.

Ten million, 34% of UK households own a dog, compared to 28% (8.2 million) owning a cat. Households with both a cat and dog are up slightly to 11% (3.2 million). Looking at households with children, 77% have a pet (6.9 million), which is an increase of 12% on 2021 figures, when 6.15 million families owned a pet.

The online survey has been run for two consecutive years. In 2021 the size was 5,093 and in 2022 is 8,983 for the main annual population figures. For 2022, caution is required when comparing 2022 data to previous years due to the change in sample size. Percentages of households owning pets can be compared between 2022 and 2021.

Top 10 pets in the United Kingdom

13 million dogs (34% households)

12 million cats (28% households)

1.6 million indoor birds (2.9% households)

1.4 million domestic fowl (1.4% households)

1 million rabbits (2.4% households)

0.9 million Guinea pigs (1.3% households)

0.7 million pigeons (0.9% households)

0.6 million hamsters (1.5% households)

0.6 million tortoises and turtles (1.4% households)

0.6 million horses and ponies (1.1% households)

US pet food, treat sales hit record US\$50 billion in 2021

Pet owners spent US\$50 billion on pet food and treats, the largest segment of the overall industry, growing 13.6% over 2020 figures.



American Pet Products Association (APPA) analysts estimated that the United States pet industry reached US\$123.6 billion in sales in 2021, the highest level recorded. This is the second consecutive record-setting year for the industry, with continued growth expected for 2022. In 2021, the U.S. pet food industry grew 13.5% year-over-year. Pet owners spent US\$50 billion on pet food and treats, the largest segment of the overall industry, growing 13.6% over 2020 figures.

“The numbers don’t lie: The pet industry has shown itself to be incredibly strong and resilient with a record-breaking two years,” APPA Senior Vice President of Member Relations and Business Development Anne

Ferrante said in a press release. “We expect continued growth as we look toward the remainder of 2022, although we anticipate it may be at a more moderate pace given the impact of volatile factors like inflation, supply chain issues and global relations.”

State of the Industry data for 2021 revealed increases in every spend category.

- ◆ At 17.8%, supplies, live animals and OTC meds saw the biggest increase, with a total spend of US\$29.8 billion
- ◆ Vet care and product sales landed as the second highest spend category at US\$34.3 billion, an 8.9% increase
- ◆ Other services (including grooming, dog walking and boarding) totaled US\$9.5 billion spent, a 17.3% increase

Subtle threats to strong spring 2022 pet food growth

The United States pet food industry continues growing atop the pandemic-fueled surge in pet ownership and premiumization, but some industry analysts warned that the good news may hide weaknesses in the dog, cat and other pet food markets. In “Pet Industry Overview – Spring 2022,” analysts with Cascadia Capital noted the impressive growth of the pet food industry through the lingering pandemic. However, they observed how the influence of the disease on society may have distorted

the market, making long-term prediction complicated.

Overall consumer spending recovered for the pet food industry in 2021, but a scarcity of suitable comparisons may distort the meaning of the growth percentages. Along with that, pet food and treat market performance data from 2021 was boosted by new pet acquisitions that had yet to annualize or reach a point where data could go from allowing short-term versus long-term calculations. Those new pandemic pets and increased premium pet food purchases, especially among wealthier Americans, served as a bulwark against financial caution and concern among lower-income groups in early 2022. Those monetary worries may be less focused on the pandemic’s immediate effects now though.

Pandemic and pet owner financial fear

Pandemic-related economic concerns seem to be fading among U.S. pet owners, while other concerns surface. Compared to Gen X and baby boomers, younger pet owners worry more that they may need to spend less on pet food and treats in 2022 or change to a cheaper brand. In a November 2021 survey by the American Pet Products Association (APPA), distinct generational differences arose related to economic issues. Since early in the pandemic, APPA has surveyed U.S. pet owners about how COVID-19 influenced pet ownership. The percentage of millennials and Gen Z that are concerned how finances will affect their pet expenditures rose in the last survey.

Age-related differences remained, but APPA analysts found in a February 2022 survey that pet owners' financial fears had returned to levels last seen in late 2020. Even among younger pet owners, monetary worries influenced pet food purchasing decisions less than during the onset of the pandemic or the omicron surge. Of the 2,052 pet owners in the survey, some even reported that they can find preferred brands in stores. However, economic concerns still hovered over approximately half of survey respondents. APPA shared these survey results in volume six of its "COVID-19 Pulse Study: Pet Ownership During the Pandemic." As the pandemic becomes endemic, pet owners transition into another new normal of inflation and war.

While inflation in pet food prices seems reasonable compared to other products, Cascadia analysts detailed how the cumulative effect of inflation during the pandemic may be a concern. While pet category inflation was 4.1% in 2021, the rate hit 9.5% over the 24-month period ended February 2022. Commodity price increases in the last half of 2021 were passed on to consumers, resulting in a pet food price inflation spike in February 2022.

While overall pet food industry growth remains strong in 2022, Cascadia Capital analysts noted rising problems with inflation, commodity costs and pet owner's economic concerns not directly related to the pandemic.

Existing ingredients may serve new roles in pet food recipes

Pet food formulators may find an ingredient already in their inventory that can meet their needs. No need to reinvent the wheel.



Making a small change to a pet food formulation can affect everything from palatability to processing to packaging, Amanda Dainton, Ph.D., research project leader for Freshpet, said in her presentation at Petfood Essentials on May 2 in Kansas City, Missouri, USA. To avoid at least part of this hassle, she recommended that pet food formulators reconsider what they already have when considering new product development or

formulation changes.

“If we swap out one ingredient for another, we might have challenges to our processing, as well as having challenges with our packaging,” she said. “You will be the most successful if you're able to anticipate some of those changes in cascading effects, and adapt and be ready to address them if at all possible.”

Considering ingredients, she suggested not looking too far. Pet food formulators may find an ingredient already in their inventory that can meet their needs. No need to reinvent the wheel.

These in-stock ingredients must provide the functionality that pet food makers need from a nutritional perspective, as well as a product functionality perspective, she said. Pet food formulators need to consider proteins and amino acids, fatty acids, fibers, vitamins and minerals. And not all ingredients are going to be equal and those aspects.

“The same is going to be true for product functionality,” she said. “Some ingredients are very good at holding water. Other ingredients are good at providing a structure matrix. Even though it's might be In the simplest way forward to use an ingredient we already have in house, we must make sure that it's going to provide the functionality we're looking for.”

Pet food ingredient supply chains

Likewise, pet food makers need to ask current suppliers if they can provide more of that ingredient.

“It would be phenomenal if an ingredient we already have is going to meet our needs,” she said. “But if our supplier doesn't have enough of it to sell to us, it's going to make this a little bit more complicated. It means we might need to source another supplier. Or we might need to look at other ingredients that give similar benefits to us.”

Whatever supplier and whatever ingredient, as many have learned, supply chains can be problematic. Dainton recommended assuring that suppliers have a reserve of an ingredient or rainy-day fund for unforeseen events.

“I know we're all probably very tired of hearing people say this, but we always have to anticipate the unanticipated,” she said. “There's always going to be something that comes up that very well could affect our processing or ingredient availability for our new product. The last thing that we want to do is dip into that reserve or extra spare ingredient volume that our suppliers have to help us produce this new product.”

Like it or not, the new normal seems to include logistics problems, she said.

Western sanctions cripple Russian pet food market

The market faces dwindling pet food imports, price hikes and the possibility of pet stores going out of business.



Russia sees the range in some segments of the domestic pet food market dramatically narrowing as Western sanctions have disrupted import supplies. The current crisis is believed to be opening new development prospects for local manufacturers, though unraveling them

could be a tricky task.

“We are expecting problems for the Russian pet food market to be pretty severe,” said Kirill Dmitriev, president of the Russian national association of the animal and zoo industry, explaining that imports already hampered by Russia’s veterinary restrictions in previous years have been further disrupted due to logistics chaos. “We are probably heading into a disastrous shortage of some products.”

Russian pet owners stocking up

The Russian market has not yet felt the full impact of the current crisis, since importers keep receiving shipments ordered in February, and there are some leftovers in the warehouses, Dmitriev said.

However, a shortage of some products, like therapeutic diets and holistic pet foods, is already seen, said Tatyana Kolchanova, general director of the Russian zoobusiness association. To a large extent, the lack of pet food is associated with panic buying.

“Shortly after the beginning of the Russian special military operation, we saw a feverish demand. Customers were stocking pet food for a year in advance,” Kolchanova said, adding that not only customers but also some businesses stepped in to purchase large product quantities, in order to re-sell them later at higher prices.

Given the mounting sanctions pressure and the growing list of

companies that opted to pull out of the Russian market, some businesses anticipate imports to dwindle.

“Even if part of products manufactured by foreign brand owners stays on the shelves, their quantities may substantially decrease,” said Tauras-Fenix, a packaging equipment company, in a press statement published on April 27. The price of pet food supplied by the companies that continue operation in Russia, including Aller Petfood Group, Monge, Farmina and Grandorf, will double due to the current crisis, Tauras-Fenix added, citing market analysts.

So far, the price hike in the Russian pet food market has not been dramatic, limited to 20%-30% or higher in some particular product categories, Dmitriev said.

Though pet food has not been subjected to any economic sanctions, imports have been in turmoil since the beginning of the current crisis. Nowadays, Russian importers work on establishing new supply schemes via the territories of Turkey and Kazakhstan, but this is not likely to bring fast results, Kolchanova explained.

Pet retail is under fire

The Russian pet food market has been steadily growing during the past few years. In 2021, sales totaled US\$4.05 billion, compared with US\$3 billion in 2016, Statista estimated. This figure was projected to jump to

US\$5.2 billion by 2025. However, growth prospects currently seem vague, according to market participants.

For instance, the current crisis promises to cut the number of specialty pet food stores in the country. This trend already affects not only independent stores but also specialty pet food chains.

“For the time being, we are carrying out fairly targeted closures. We close those stores that have not been performing very well for a time. Plus those where the rent costs are very high: This is another sore point that has to be addressed,” said Georgy Chkareuly, general director of the pet products chain Beethoven, admitting that the company would have to sacrifice even good locations when landlords refuse to decrease rental fees.

The import disruptions proved to be a big blow for specialty pet food retailers who used to successfully compete among themselves thanks to a diversified product range, Dmitriev said.

“We might have a situation where three independent pet food stores were located within one residential building,” he said, explaining that range diversity allowed independent stores to have their own loyal customers. But in the new reality, there are strong fears about how many stores would weather the storm. “After all, they could not switch to the most widespread brands, those available in supermarkets, since this doesn’t make economic sense.”

At this point, it is difficult to forecast how pet retail will be affected, given the high uncertainty and that things are rapidly changing, he added.

A chance for Russian pet food businesses

By replacing imports, Russian pet food manufacturers could ramp up production by nearly 170,000 tons, according to Taurus-Fenix. In addition to replacing imports on the domestic market, Russian companies could also establish some export supplies, the company added.

“We already have a pool of domestic companies who started replacing imports,” said Kolchanova. “Rosselhoznadzor [a Russian governmental agency] estimated there are 190 pet food companies in Russia. We counted 130, but it is still a lot.”

The problem with import replacement, however, is that most pet food components, including meat meal, bone meal and vitamins, are also imported, Dmitriev said. Besides, Russian pet food companies have no available production capacities to quickly ramp up production, while building new factories from scratch is challenging given the high interest rate on loans in Russia, he added.

“In addition, if we talk about therapeutic pet food, Russian pet food companies need to develop formulations and conduct field trials first. Normally, those take at least six months,” he added. “We urgently need

to change our approach to pet food industry development,” explaining that agricultural producers in Russia are eligible for state aid in the form of subsidies, soft loans and reimbursement of capital costs under new projects. “On the other hand, pet food manufacturers get nothing. Given the current condition, this needs to be changed,” Dmitriev said.

To have a chance to replace imports, Russian pet food manufacturers need a new government program involving sophisticated state support schemes, he concluded.

MARKET NEWS - REPLY

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