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Global Analysis Report

Sector Trend Analysis

Pet Food Trends

In Germany

July 2017

Executive summary

The German pet food retail sector is a multi-billion dollar market. In 2016, Mintel estimated the retail value of pet food sales in this country to be nearly US$3.4 billion. Germany is the largest economy in the European Union (EU) and the fourth-largest economy in the world. Furthermore, Germany is a leading market for pet food products. Germany's pet food market is steadily growing and sales are dominated by dog and cat food. If the trend continues, total sales of pet food will climb to around US$ 4 billion by 2020.

Canada's participation in the German pet food market remains negligible, despite increased exports of dog and cat food between 2012 and 2014. However, there may be opportunities for processors to gain market share by taking advantage of high end markets, driven by the 'humanization' of pet food. Particularly, health and wellness trends are being transferred to the pet food sector, increasing demand for specialty pet products such as functional foods.

The primary functional claims being promoted by the pet food industry in Germany are identical to those endorsed by human consumer goods: no artificial ingredients; no gluten; no sugar; organic; high protein; high in vitamins; and no artificial color.

The main subsectors studied in this report include cat and dog food only, but 'other' pet food developed for birds, fish, small mammals and reptiles, offer another potential market for Canadian exporters.

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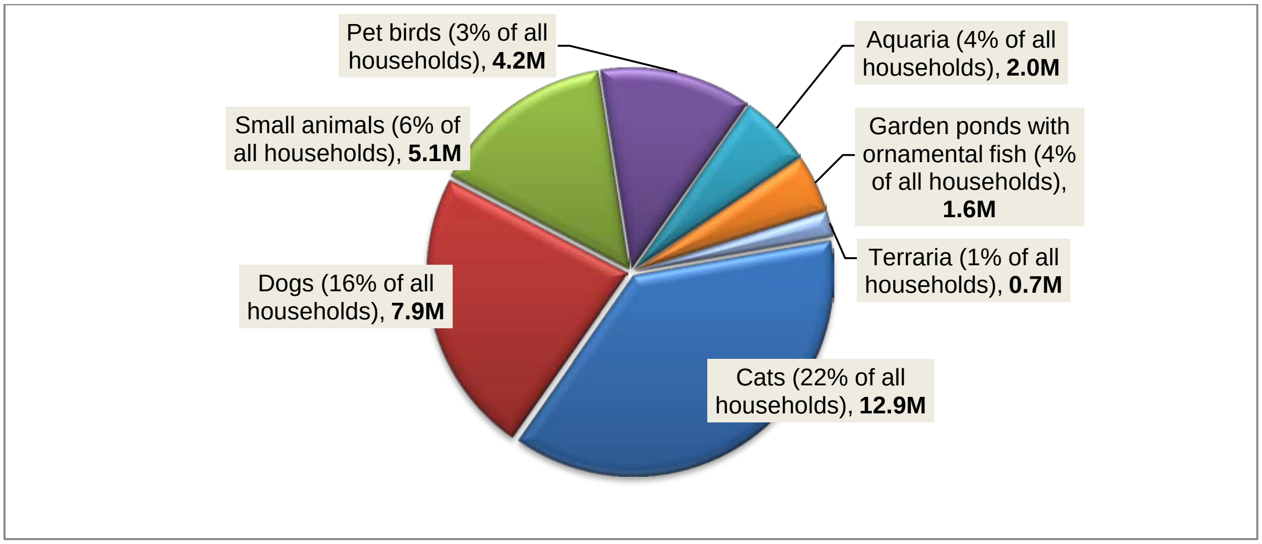
Pet population

While there were some fluctuations in the German pet population over the years, the pet population was estimated at around 34.5 million animals in 2016.

As of 2016, 22% of German households owned a cat. Cats are highly popular pets amongst German consumers, especially those living in relatively in urban areas in small apartments. They are also preferred companion where dogs are not allowed as pets. Even though they are often considered less interactive than dogs, many cat owners establish a close and positive relationship with them.

Despite the increasingly limited living space, especially in larger cities, the tendency to keep two or more cats is likely to continue. Nevertheless, the growth in the cat population is expected to remain low, accounting for a stagnant customer base. At the same time, the significance of providing high quality and living that is more natural and feeding conditions for cats is high, or even increasing in the years ahead.

Pet population in Germany in 2016



Source: Industrieverband Heimtierbedarf (IVH)

Pets in Germany are often welcomed as providing balance to their owner's hectic lives and sometimes even viewed as taking the place of a partner or child. They are often considered beloved companions that enhance their owners' wellbeing and quality of living.

German households with pets

1 person	**29 %**
2 persons	**38 %**
3 persons or more	**33%**

Source: Industrieverband Heimtierbedarf (IVH)

Even though the dogs are not as popular as cats in Germany, their population of 7.9 million remained stable, and significantly smaller than the cat population. As of 2016, 16% of German households owned a dog.

Dogs are also viewed as supporting their owners' fitness and health and as helping them to reconnect with nature on their daily walks. As a result, the pet population is growing at rates almost parallel to the number of small households according to Euromonitor.

43%of all households in Germany own at least one pet.	58%of all families with children own a pet.	19%of all households with pets own at least 2 pets.

Source: Industrieverband Heimtierbedarf (IVH)

Germany is the second in Europe in terms of number of pets owned, at 34.5 million to Russia's 47 million, which ranks number one. Industrial Association of Pet Care Producers (German: Industrieverband Heimtierbedarf, IVH) and The German Pet Trade and Industry Association (ZZF) data show that 43% of German households own at least one pet, and 58% of families with children own a pet. Unlike the rest of the world, where dogs are most popular, cats rank number one in Germany, with 12.9 million (22% of all households) to 7.9 million dogs (16% of households). There are also 5.1 million small animals owned as pets in Germany (6% of households).

Retail market size

As the third largest consumer retail market for pet food in the European Union, Germany had retail value sales of just over US$3.3 billion in 2016, with over US$1.7 billion spent on cat food and just over US$1.4 billion on dog food.

Historic retail value sales of pet food in Germany, in US$ billions, per capita pet food spending in US$ and growth %

	Units	2012	2013	2014	2015	2016
Value	US$ billion	3.44	3.66	3.78	3.26	3.35
Spend per capita	US$	42.70	45.26	46.53	39.82	40.65
Value growth	%	-4.80	6.30	3.30	-13.70	2.60

Source: IVH, ZZF, Information Resources, Inc., Economist Intelligence Unit, Trade Interviews, Mintel

Pet food in Germany saw a successful year with regard to volume (+2.5%) and current value growth (+2.6%) in 2016. Even though the German pet food market is considered mature and saturated to certain extend, it saw strong competition. However, innovation and growing demand for premium products will continue to drive the growth in the year ahead.

Forecast retail value sales of pet food in Germany, in US$ billions, per capita pet food spending in US$ and growth %

	Units	2017	2018	2019	2020
Value	US$ billion	3.40	3.46	3.70	3.85
Spend per capita	US$	41.26	41.96	44.79	46.60

Value growth	%	1.70	1.80	6.70	4.00

Source: IVH, ZZF, Information Resources, Inc., Economist Intelligence Unit, Trade Interviews, Mintel

The historic retail compounded annual growth rate of pet food in Germany was evaluated at 3.1% value growth and 1.1% volume growth from 2011-2016. Mintel forecast that pet food sector in Germany is forecasted to reach value sales of over U$3.8 billion with a CAGR of 2.7% value growth and 0.5% volume growth.

Germany pet food retail market compound annual growth rates

	2011-2015 (%)	2016-2020(%)
Value	3.1	2.7
Volume	1.1	0.5

Source: Mintel

The top pet food companies in Germany in 2016 were Mars Inc. (21.7% of the total market value share and 15% of volume share) with their brands of Pedigree and Whiskas, followed by Nestlé SA (10.8% value, 5.9 volume) and their brands of Purina Beneful and Purina Fancy Feast/Gourmet, and Vitakraft Werke Wührmann & Sohn GmbH & Co KG (3.8% value and 2.0% volume) and their brand of Vitakraft.

Germany - Pet Food: Company retail market share by value (%)

Market Player	2014	2015	2016
Mars Incorporated	24.3	23	21.7
Nestlé S.A.	9.8	10.3	10.8
Vitakraft-Werke Wührmann & Sohn GmbH & Co., KG	3.6	3.7	3.8
The Procter & Gamble Company	2.3	2.2	2.1
Private Label	34.4	35.5	36.6
Others	25.6	25.3	25.0

Source: Mintel

Private label brands continuously increased their shares, rising from 49.7% to 52.5% between 2014 and 2016. Collectively, private label brands have rapidly increased their market penetration between 2010 and 2016. However, from the available data, it is not possible to ascertain whether certain private label brands fared better than others within this category.

Germany - Pet Food: Company retail market share by volume (%)

Market Player	2014	2015	2016
Mars Incorporated	16.8	15.9	15.0
Nestlé S.A.	5.7	5.8	5.9
Vitakraft-Werke Wührmann & Sohn GmbH & Co., KG	1.6	1.8	2.0
The Procter & Gamble Company	1.1	1	0.9
Private Label	49.7	51.1	52.5
Others	25.1	24.4	23.7

Source: Mintel

Over 60% of the retail sales of pet food are from private label brands and small pet food manufacturers (the *other* category). In 2016, these two groups accounted for 76.2% of volume pet food sales. Largely because of the growth of private label sales. The proportion of sales from others pet food companies market share, were stable during the review period.

Market segmentation

Convenience is the main reason for the increasing popularity of prepared pet food in Germany. Dry or wet food is easier to handle, can be stored longer, and produces less waste. New pet food brands have done a good job of convincing potential consumers of the benefits of this type of pet food, marketing it as healthy, based on wholesome ingredients and offering a balanced diet.

Mintel notes that almost all of the cat food consumed in Germany are prepared, accounting for 98% of total cat food consumption. The only way to achieve significant sales growth in the future will be by increasing the sales of premium food products in order to raise the value of cat food marketed in Germany.

Germany - Pet Food: Retail market segmentation by volume 000' tonnes

Segment	2010	2011	2012	2013	2014	2015	2016
Total	932	947.8	961.5	972.9	985.6	1000.7	1004.9
Cat	513.6	529	540.6	550.8	556.7	550.6	555.4
Dog	418.4	418.8	420.9	422.1	428.9	450.1	449.5

Source: Mintel

The cat food market in Germany is led by Mars, and Nestlé and together they have a nearly 33% market value share according to Mintel. Although the growth of the cat food market has slowed recently, the biggest growth was still in cat treats due to an increase in the sales of functional and premium products.

Mintel also predict that the cat food market will perform better than dog food because the German population is aging and cats are easier to look after than dogs. The good performance of cat treats is also due to the pet humanization trend in Germany. Segmentation and specialized products will continue to prevail in the cat food market in Germany. Products featuring specific health benefits are expected to perform especially well.

Wet cat food will continue to constitute the majority of the overall cat food sales. Premium cat food will be a major driver of overall cat food growth. However, economy wet cat food will likely grow due to the rising popularity of private label products.

Germany Cat food: Retail market segmentation by volume 000' tonnes

Segment	2013	2014	2015	2016
Cat	550.8	556.7	550.6	555.4
Wet	441.9	446.8	445.0	453.5
Dry	108.9	109.9	105.6	101.9

Source: Mintel

Mars and Nestlé are also the major players in Germany's growing dog food market, accounting almost 50 % of total dog food sales in 2016. Total value sales of dog food in Germany were close to US$ 1.7 billion in 2016 according to Mintel. Dog treats and mixers, dry dog food, and wet dog food each account for about a third of total sales.

The humanization trend in the dog food market is notable in the increasing success of premium dog products and specialty dog foods. Manufacturers are broadening product ranges by targeting specific breeds, sizes, and ages. Sales of therapeutic dog food have also increased; however, it remains a small niche product due to high prices. Premium dog food and dog treats are expected to be the primary drivers of future growth according to the German Industrial Association of Pet Care Producers (German: Industrieverband Heimtierbedarf, IVH)

Germany Dog food: Retail market segmentation by volume 000' tonnes

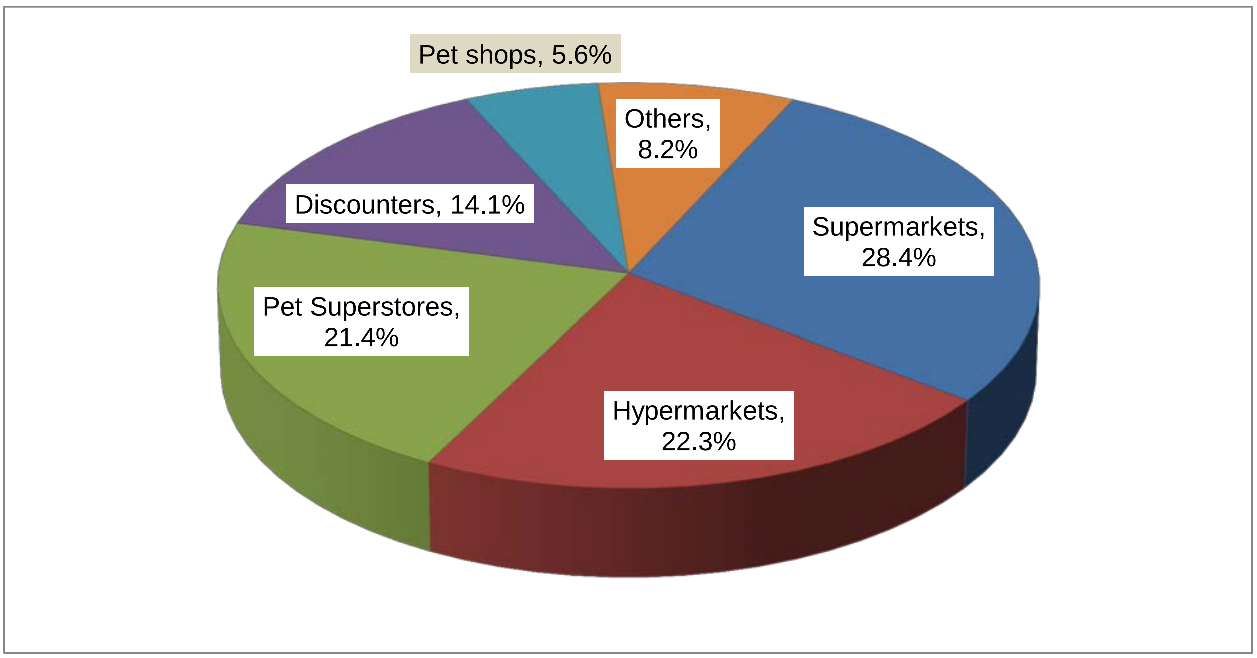
Segment	2013	2014	2015	2016
Dog	422.1	428.9	450.1	449.5
Dry	236.9	239	239.5	236.4
Wet	185.2	189.9	210.6	213.1

Source: Mintel

Distribution channels

Pet food distribution in Germany is also primarily done through modern grocery retailers in particular supermarkets and hypermarkets. Supermarkets accounted for 28.4% of store based retailing pet food sales, followed by hypermarkets with 22.3%. Non-grocery specialists such as pet superstores and pet shops combined accounted for 27.0 % of pet food sales in 2016.

Germany pet food sales by distribution channels in % in 2016



Source: Mintel

Mintel notes that the German pet food market is considered mature and saturated, but also separated in two main positioning, with both premium and economy-priced food doing well. Premium pet food products are mostly sold through specialty shops, while mid-priced products are available both in specialty shops and in supermarkets. Supermarkets and discounters mostly sell economy lines. Economy lines or private label products account for over 50% in volume sales and 36% in value of all sales.

The Internet is gaining in importance in the pet food sector in Germany. According to estimates from the industry and trade, the online sales volume in 2016 hovered around 460 million euros (US$ 500.0 million). However the sales were not differentiated, species-specific data on the online market for ”prepared pet food” as well as ”pet accessories” were not available.

German imports

In 2016, Germany‘s total dog and cat food imports were in excess of US$1 billion. Nine of the top ten suppliers to the German market were European countries. In terms of both the volume and value of imports, the Netherlands and France were the most important suppliers of dog and cat food to Germany, holding 19.4% and 14.2% market shares, respectively in 2016. Thailand was the nearest competitors to these leading European suppliers, accounted for little over 3% market share of dog and cat food imports (measured by value) in 2016.

Germany import statistics of dog and cat food put up for retail sales (HS: 230910) in US$

Country	2012	2013	2014	2015	2016
World	875,127,753	1,010,196,443	1,138,398,548	1,069,080,277	1,069,185,018
Netherlands	218,243,938	213,792,655	233,619,223	231,139,079	207,331,413
France	119,947,230	131,654,380	155,610,437	146,072,989	152,267,786
Poland	28,269,911	43,347,729	61,309,483	80,664,215	117,401,862
Liechtenstein	102,118,524	122,059,145	153,346,781	130,122,220	105,695,525
United Kingdom	58,256,675	69,888,825	78,225,125	71,752,860	75,542,932
Austria	51,743,767	59,916,012	63,739,247	54,593,315	66,004,763
Hungary	74,589,797	112,408,460	112,724,112	92,527,655	55,879,115
Thailand	22,230,142	30,080,681	36,480,481	34,974,746	33,133,433
Belgium	14,511,195	20,903,531	19,596,679	13,510,046	26,322,730
Canada	453,828	819,798	1,342,303	178,047	417,324

Source: Global Trade Tracker 2017

Germany import statistics of dog and cat food put up for retail sales (HS: 230910) in tonnes

	2012	2013	2014	2015	2016
World	504,283	516,284	563,750	620,895	637,537
Netherlands	163,223	134,163	148,835	174,196	169,560
France	67,802	67,769	83,773	96,838	105,830
Poland	21,854	30,988	40,296	56,934	85,557
Liechtenstein	50,989	59,028	68,992	71,606	62,116
United Kingdom	31,225	36,228	37,082	38,038	45,022
Hungary	44,463	61,561	67,130	66,431	35,080
Austria	16,955	16,104	16,048	16,612	21,862
Belgium	12,724	21,873	17,609	12,521	16,702
Spain	2,446	5,773	8,569	9,179	12,433
Canada	219	309	543	94	201

Source: Global Trade Tracker 2017

New products analysis

According to the Mintel Global New Products Database, there were 2,903 new pet food product launches in the German market between January 2012 and March 2017. In the three months of 2017, there were

95 new products. Over half (57.8%) of the launches were completely new products and 29.5% were new varieties or range extensions. The most commonly used claim was no additives/no preservatives, which appeared on 47.2% of the total launches, followed by "Pet-adult" with 42.5%, and "low/no/reduced allergen" with 23.7%. Approximately 26.5% of the total launches were in the cat food wet product subcategory and 26.5% were in the dog snacks and treats. Over 65% of the product launches were branded label.

Number of new pet food product launches in Germany, by year and feature

Feature	2012	2013	2014	2015	2016	2017 (March)
Total new products	680	416	683	365	664	95
Top 5 launch type						
New Product	416	216	465	191	362	29
New Variety/Range Extension	186	135	164	116	205	50
New Packaging	62	48	40	32	72	9
Relaunch	6	14	12	14	22	5
New Formulation	10	3	2	12	3	2
Top 5 claims						
No Additives/Preservatives	224	141	331	224	384	66
Pet - Adult	180	140	261	226	365	63
Low/No/Reduced Allergen	89	36	215	87	238	23
Low/No/Reduced Sugar	105	74	139	118	203	37
Premium	103	61	149	68	125	21
Top 5 subcategories						
Cat Food Wet	204	103	137	122	181	21
Dog Snacks & Treats	175	104	173	68	186	22
Dog Food Wet	85	87	90	80	121	23
Cat Snacks & Treats	64	62	112	57	62	16
Dog Food Dry	57	35	110	15	57	4
Top 5 companies						
Fressnapf	60	34	38	51	48	14
Mars	61	43	28	30	33	8
DM Drogerie Markt	20	25	19	23	34	9
Vitakraft	36	9	33	1	28	3
Nestlé Purina PetCare	30	21	18	12	12	3
Branded vs private label						
Branded	517	452	435	292	168	40
Private Label	166	228	229	124	197	55
Nutrition claim						
Protein (listed on pack)	546	290	625	236	348	90
Fibre (listed on pack)	512	282	592	222	334	82
Ash (listed on pack)	479	265	579	208	325	80
Fat (listed on pack)	426	264	517	207	319	76
Moisture (listed on pack)	399	202	494	183	281	70

Source: Mintel GNPD

Standards

FEDIAF, the European Pet Food Industry Federation, was established in 1970 and represents the pet food industry in 26 European countries. FEDIAF function is to collaborate with authorities, regulators and academics to achieve positive conditions for the supply of safe, nutritious and palatable pet products (FEDIAF, 2015-A). FEDIAF has developed guidelines and a code for nutrition and labelling of pet food.

Nutrition

FEDIAF developed "Nutritional Guidelines" for basic nutrient levels in cat and dog food and other animals. To review the complete guide, visit the FEDIAF website: http://www.fediaf.org/self-regulation/nutrition/

Labelling

Pet food labelling in the European Union (EU) is primarily governed by EU regulation 767/2009. For more information on the specific labelling requirements in the EU, please visit the following website: EU Regulation - 767/2009

FEDIAF, based on interpretation of EU regulation 767/2009, established a "Code of Good Labelling Practices for Pet Food," which addresses three basic functions: 1) consumer information on product use; 2) control and enforcement; and 3) marketing and retailing. The following information is legally required on pet food labels (FEDIAF, 2015-B):

- Name and product description
- Ingredients list
- Information about nutrient levels
- Information about additives
- Best Before Date, Batch Code
- The name of the producer or the distributor and how to contact them for further information
- How to use the product (feeding instructions)
- Weight and/or quantity statement

To review the complete code, visit the FEDIAF website: http://www.fediaf.org/self-regulation/labelling/
In addition, EU labelling requirements will change for each type of pet food (compound, single ingredient, dietetic feed); additivities in pet food are regulated; and genetically modified (GM) ingredients contained in pet food must come from an approved GM crop and must be labelled. In addition, to learn more on export requirements for meat by-products to the EU, exporter's should consult Chapter 11 of the Canadian Food Inspection Agency's (CFIA)'s Meat Hygiene Manual of Procedures.

For more information

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in Germany**
  www.tradecommissioner.gc.ca/de

- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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Resources

Euromonitor International, 2017.

Euromonitor International. Packaged Food in Germany, November 2016

Euromonitor International. Germany in depth, March 2015

IVH - Industrial Association of Pet Care Producers: http://www.ivh-online.de

ZZF - Federation of Zoological Specialists: http://www.iriworldwide.com

Mintel Global New Products Database (GNPD), 2017

Global Trade Tracker, 2017

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