NEW ZEALAND

PET MARKET OVERVIEW

United States

PREPARED: OCTOBER 2023



Overview

Background

This report is designed for pet food, supplements, and grooming producers interested in exporting their products into the United States.

Purpose

The purpose of this report is to provide insights into the landscape of pet food and pet products in the US.

Methodology

This report was generated using secondary desktop research based on publicly available sources and paid-for subscription databases available to NZTE. These sources include:

- Euromonitor International
- IbisWorld
- Statista
- ITC
- IRI
- Pet Food Processing
- Packaging strategies

- USD is used as a consistent currency unless otherwise indicated

Limitations

The information provided in this report is compiled from secondary data resources. A variety of methodologies have been used to source the original data, and data points are often from differing time periods.

The latest information available has been used where available. As such the data in this report should be seen as indicative and not absolute.

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EXECUTIVE SUMMARY

Executive Summary

Key Market Characteristics

The US Pet Market has enjoyed strong growth in the last five years and is forecast to reach $200 billion by 2030:

- Pet ownership numbers increased strongly during the pandemic.
- Pets are regarded as part of the family, encouraging the purchase of often higher priced special food formulas and ingredients.

Although a net exporter of pet food, US imports are substantial.

Dry Dog food is the largest market segment followed by dog treats, and wet and dry cat food.

Brands from Mars and Nestle are market leaders, but a long tail of smaller brands also take share.

Implications for NZ Based Companies

Given the size, probable growth and presence of smaller brands in the market, New Zealand pet food producers (whose products support nutrition and /or health) might find a worthwhile niche in the US market. For those businesses, a company specific opportunity assessment would be the next step.

Executive Summary

Key Market Characteristics

Mass Merchandisers have the largest share of trade (35%) followed by exclusively online providers (20%) and specialty pet stores (17%), amongst which PetSmart is the leader.

There is large supplements market in the US, especially for dogs.

The Canadian market is much smaller than the US but is still in the world's top 10 pet food markets. The same retail channels are relevant as in the US but there is no dominant pet food brand in Canada, and market share is highly fragmented.

Implications for NZ-Based Companies

As part of any market opportunity assessment, an understanding should be gained of how the leading retail players select new suppliers. If Costco in Australia is already a sales channel use that route to explore US entry.

NZ based supplements specialists might also wish to explore their US opportunity.

Although smaller than the US, the Canadian market might be easier to enter; in the absence of a brand leader, and with a fragmented competitive set, it might be possible to more quickly gain a foothold from which to grow.

SECTION 1

US PET INDUSTRY GENERAL MARKET OVERVIEW

The US Pet Industry has Grown Exponentially in the Last Five Years

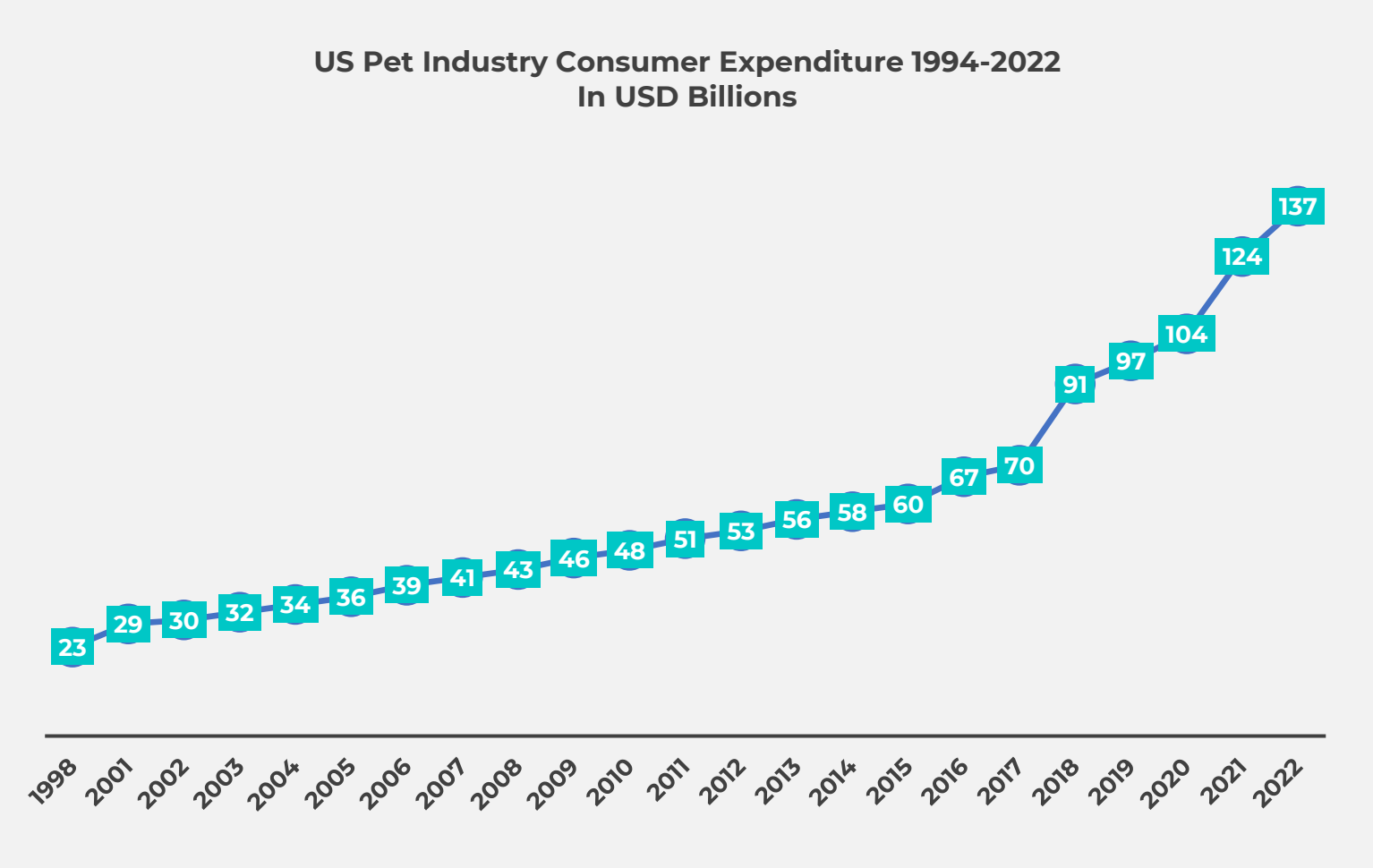
The US Pet Industry was worth almost $137 billion in 2022 and is forecast to reach $200 billion by the end of the decade.

Pet ownership continues to grow – the proportion of US homes owning one or more pet has increased 10% from 56% in 1988 to 66% in 2022.

The average spend by pet owning households increased during the last 10 years from $457 per annum to $938 per annum. Key growth drivers include:

The pet food and treats category has grown by 68% in the last 5 years alone; pet food and treats is the largest market sector with sales of $58.1 billion.

Pet related healthcare spend has also grown strongly, including spend on veterinary care, diagnostics and pharmaceuticals e.g., spend with vets has increase by 30% in the last 5 years

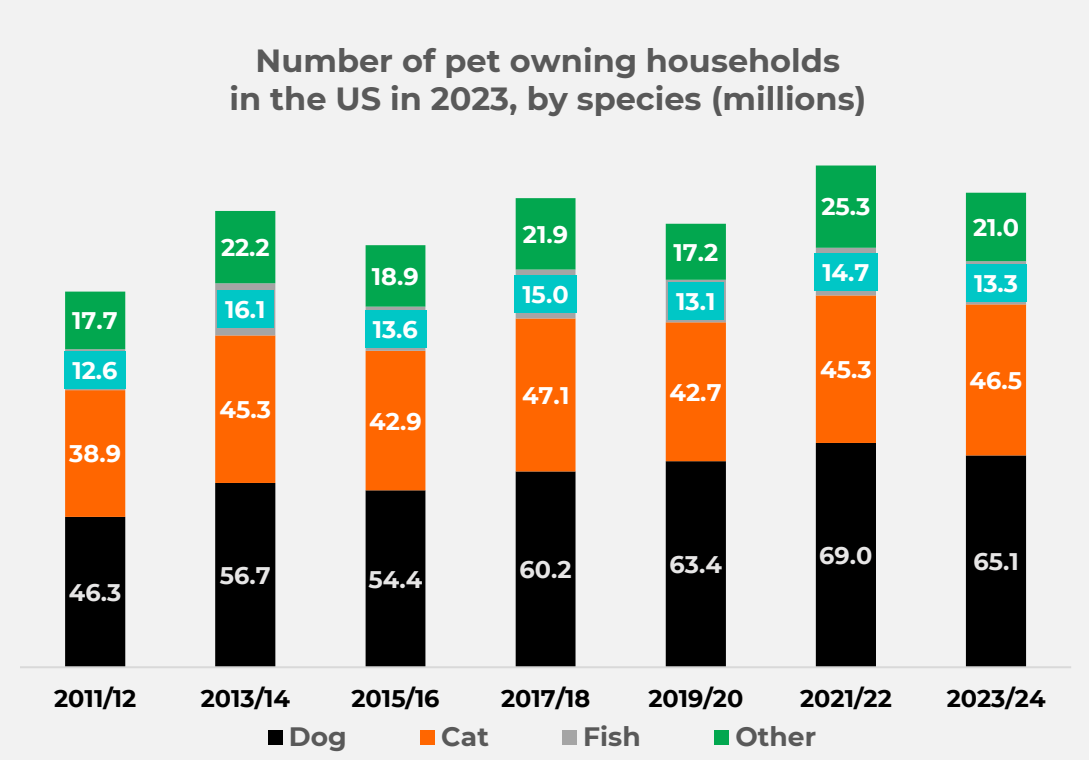


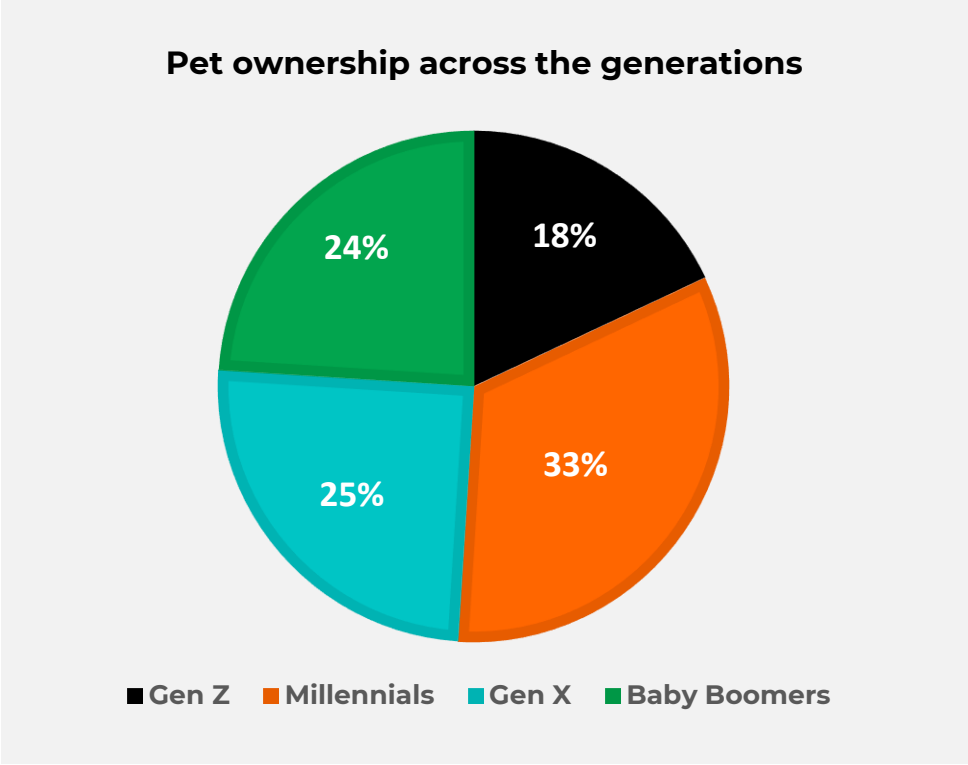
Sources: Statista

https://www.bloomberg.com/company/press/global-pet-industry-to-grow-to-500-billion-by-2030-bloomberg-intelligence-finds/

7 out of 10 US households Own at Least One Pet and Every Generation is Part of the Pet Owning Community

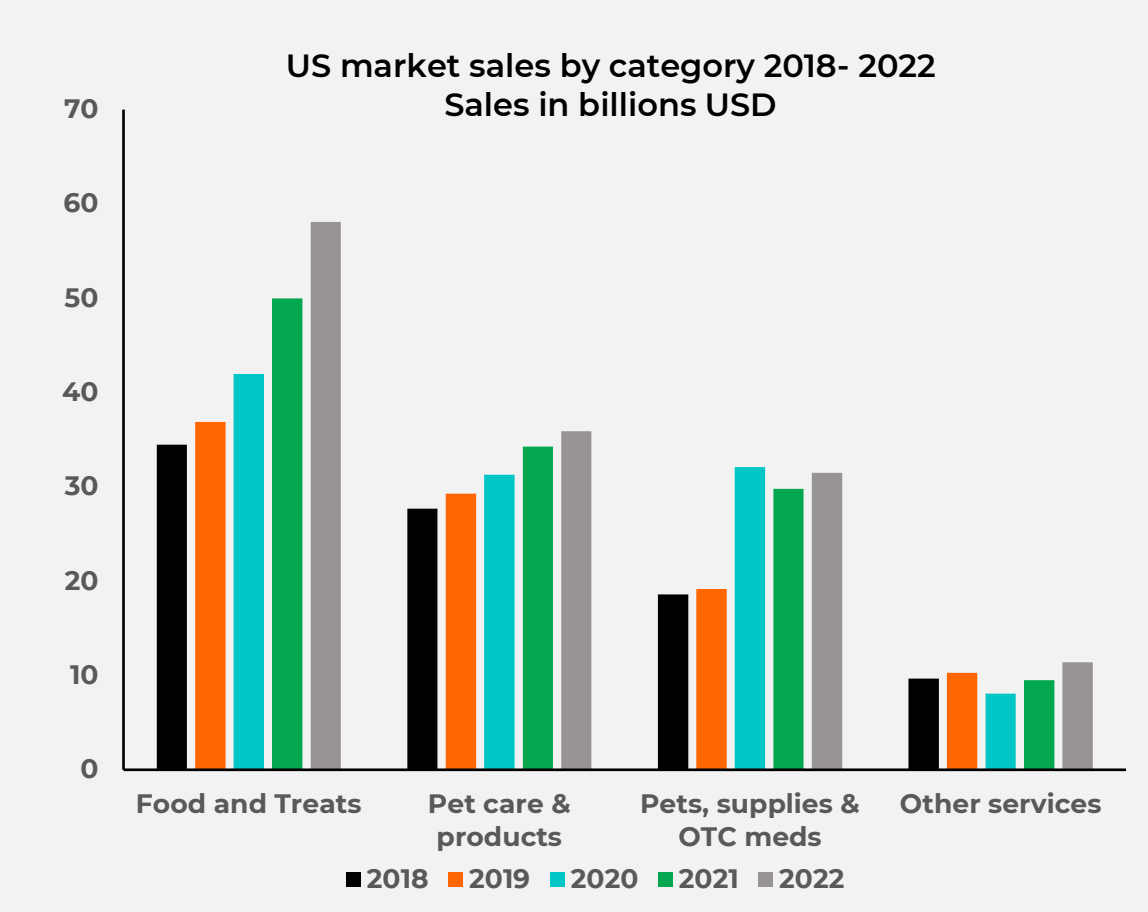
COVID saw an increase in pet ownership; over 70% of American households now have at least one pet. Pets find homes with every generation but especially with Millennials.

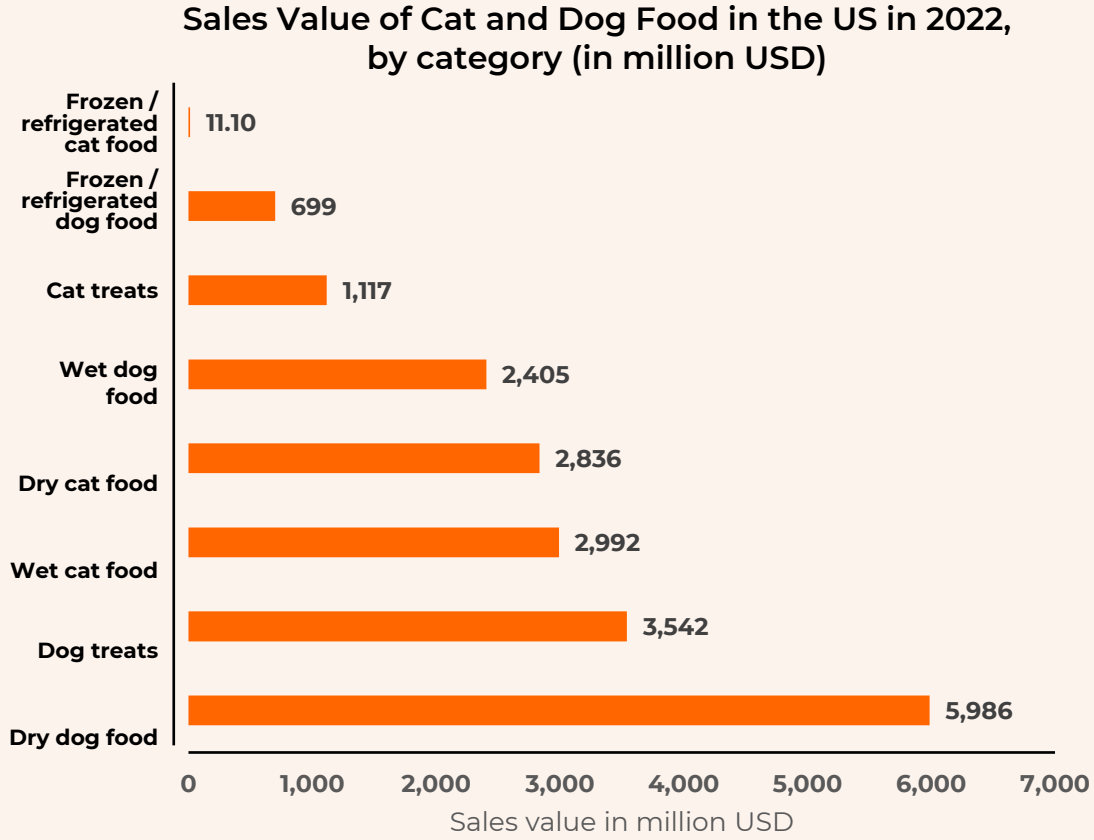




Sources: Statista, "Pets in the US dossier," downloaded July 2023; "Humanization of the pet food market in the US," report from Statista, pub 2022 and accessed July 2023
Forbes Advisor, "Pet ownership statistics and facts 2023.

Pet Food Accounts for the Greatest Volume of Pet-Related Spend, Where The Largest Pet Food Market Segment is Dry Dog Food

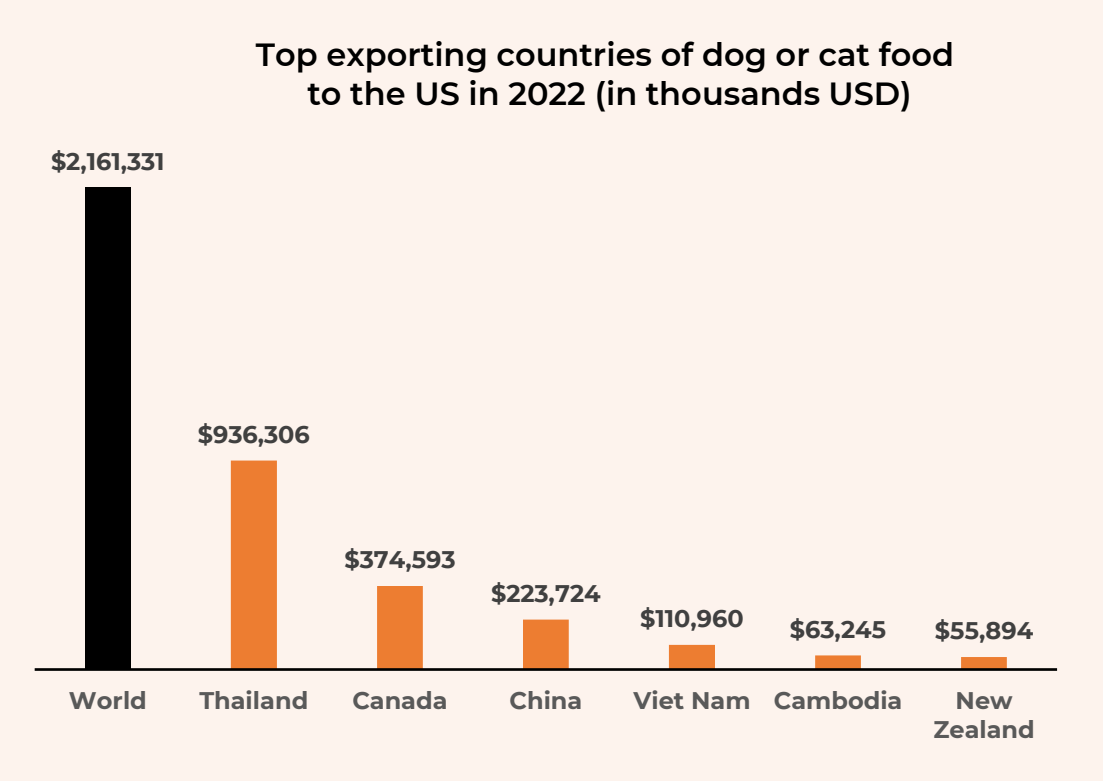


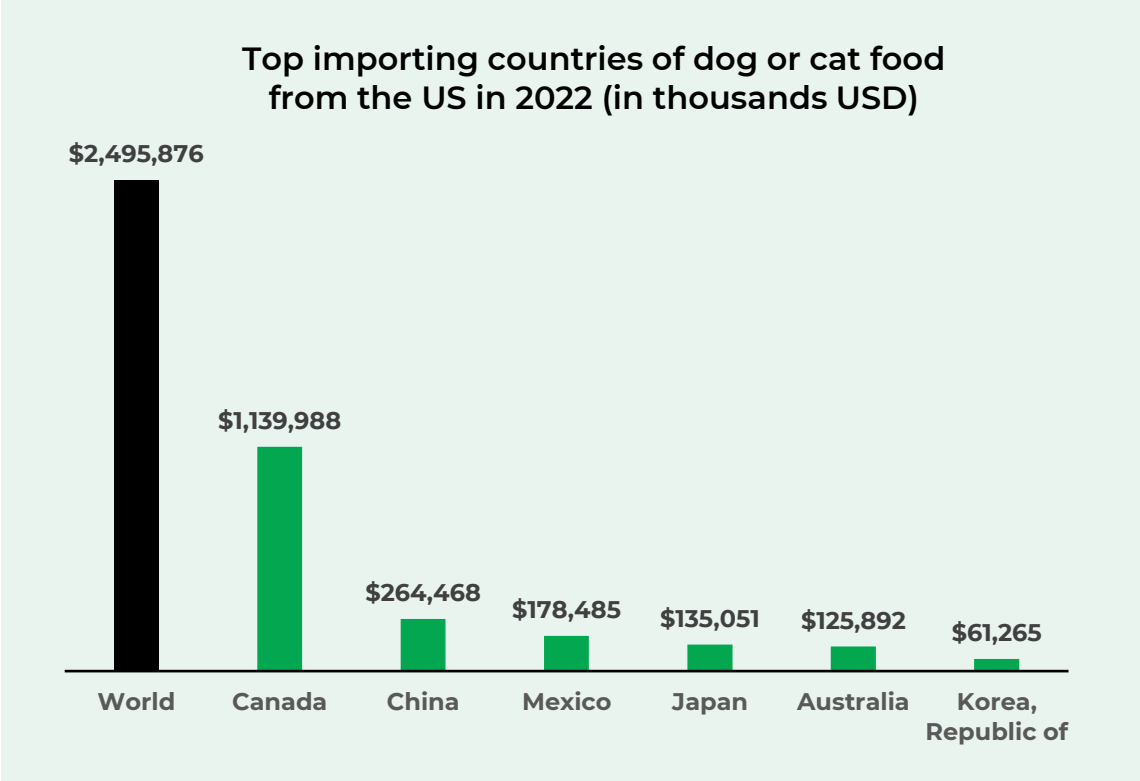


Source: Statista pet market sales; Statista Cat and Dog food value

The US is a Net Exporter of Pet Food, but Imports are Substantial

Canada takes the greatest share of US pet food exports. Thailand is the leading US supplier, accounting for more than 40% of all US pet food imports





Source: ITC Trademap, HS code 230910: Dog or cat food, put up for retail sale, downloaded July 2023.

SECTION 2

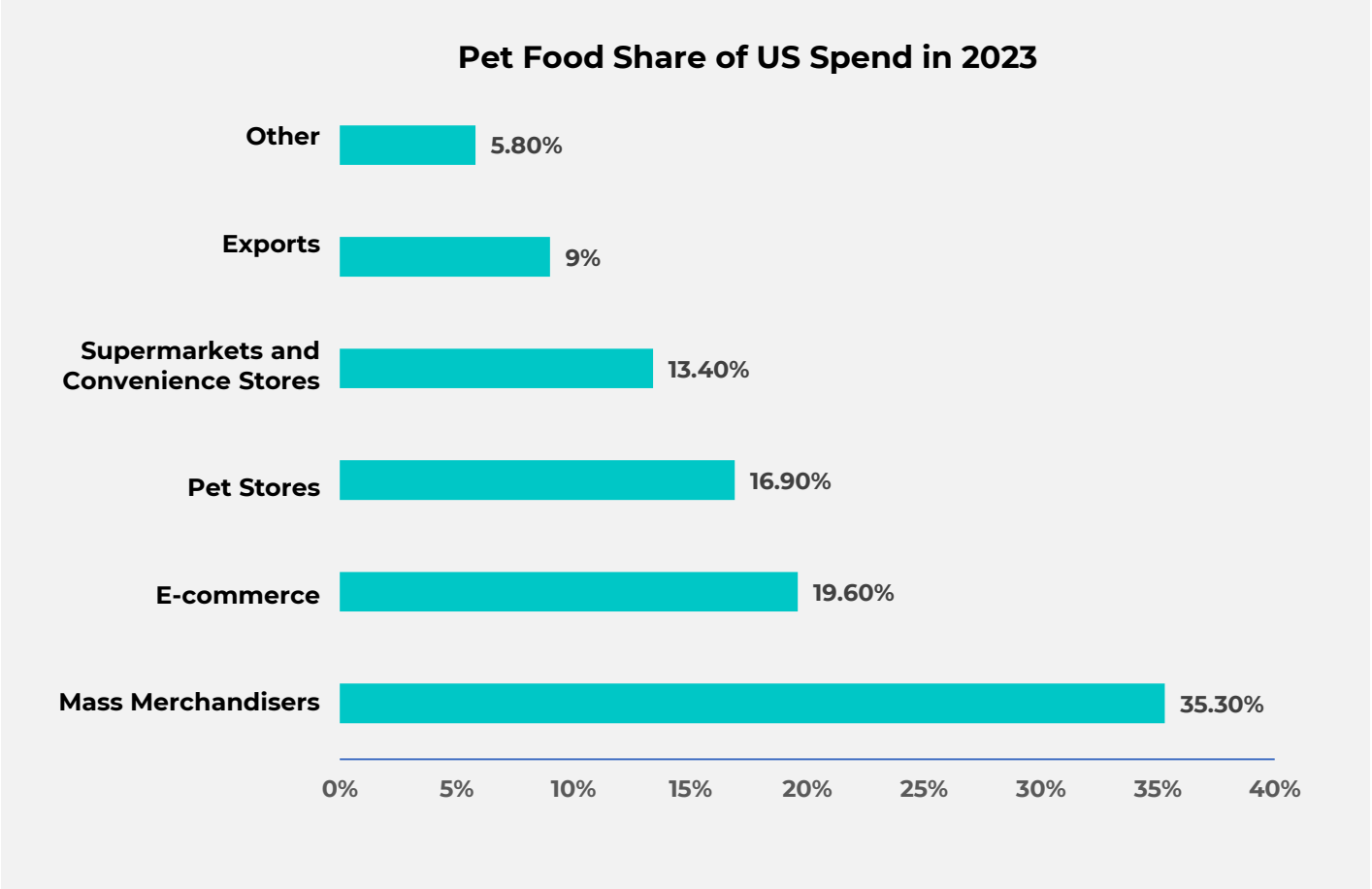
US BRAND AND CHANNELS

Mass Merchandisers, E-commerce and Pet stores are the Leading Sales Channels

Mass merchandisers (Target, Walmart, Costco, etc.) have the greatest share of trade. Their buying power enables them to offer discounts on a variety of goods and their range of goods makes them convenient for one-stop shopping.

E-commerce is growing, partially fueled by the pandemic. ***Note: only online players who sell exclusively online are included in this analysis. See the next slide for a more complete picture.***

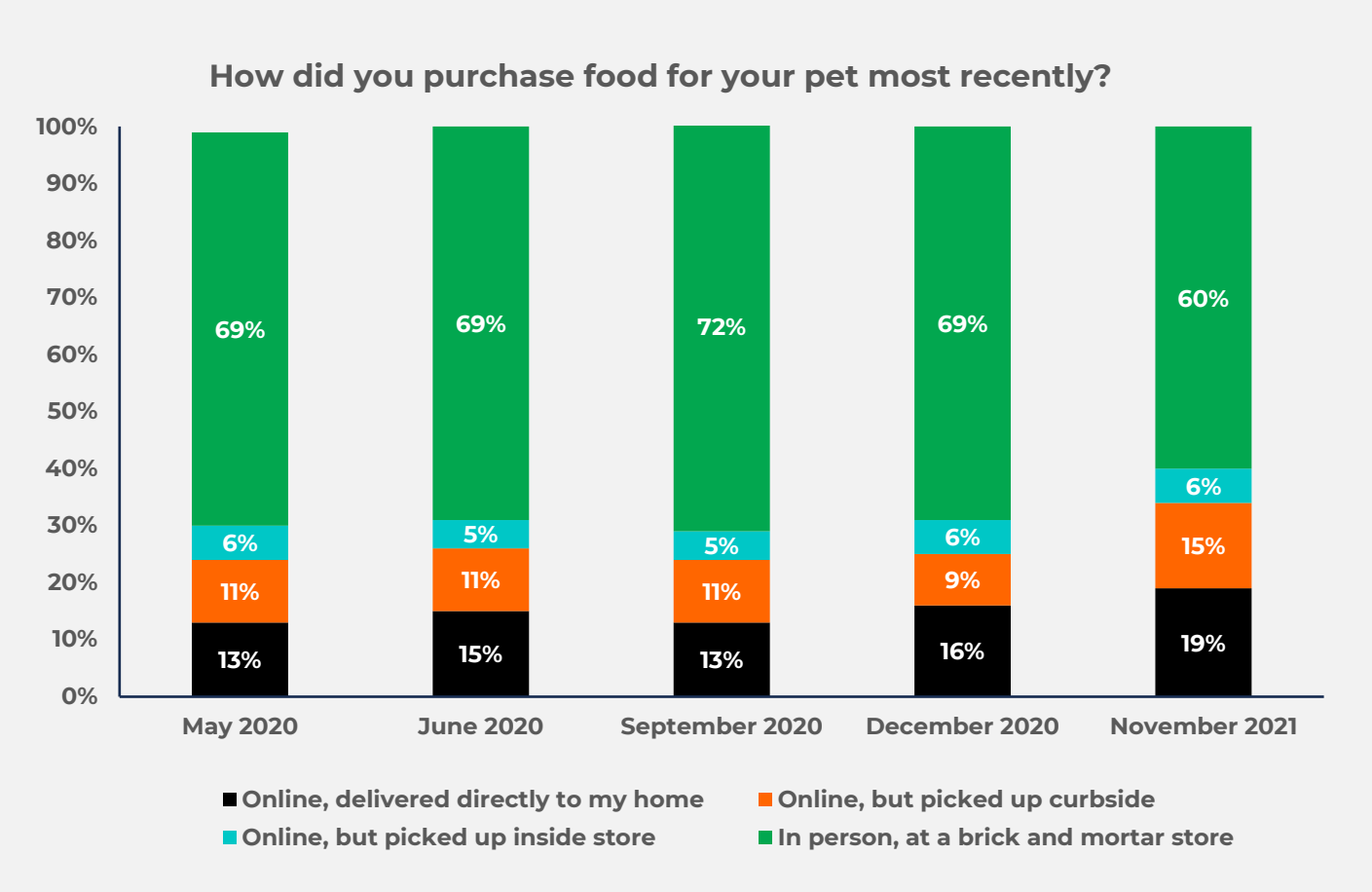
Pet stores are the third largest sales channel in the US market.



Source: Ibisworld report – "Pet Food Production in the US," accessed July 2023.

Online is Part of the Process on 40% of Purchase Occasions

Online purchases delivered to the buyer's home account for 20% of sales, but online purchases collected at the store are also significant, i.e., either collected in the store, or with purchases brought to the shopper's car.



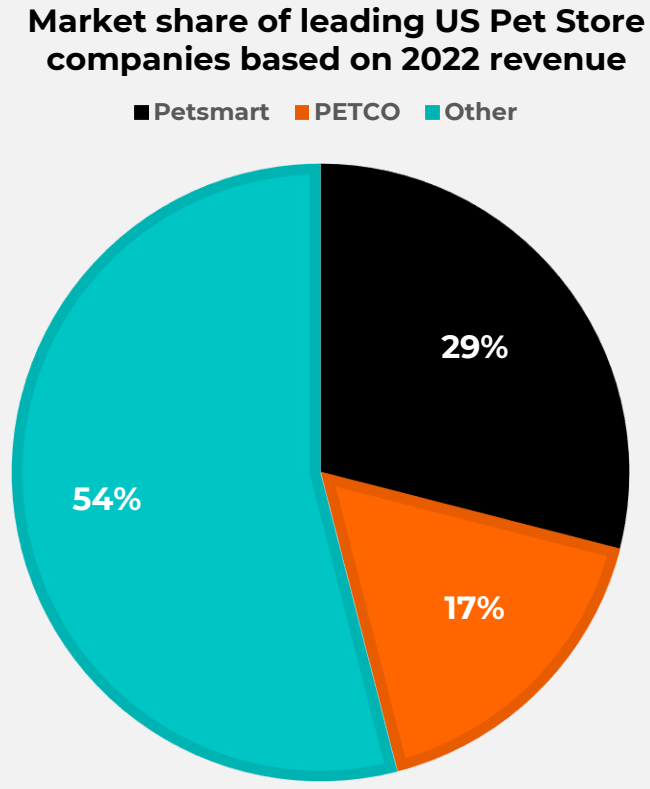
Source: Statista report, "Pet food in the US dossier," downloaded in July 2023; United States; May 2020 to December 2020 and November 2021; >2,000; Both pet owners and non-pet owners were surveyed.

PetSmart is the Dominant Pet Specialist Outlet

PetSmart and PETCO Have the Largest Store Networks



PetSmart Holds Almost 30% of the Market

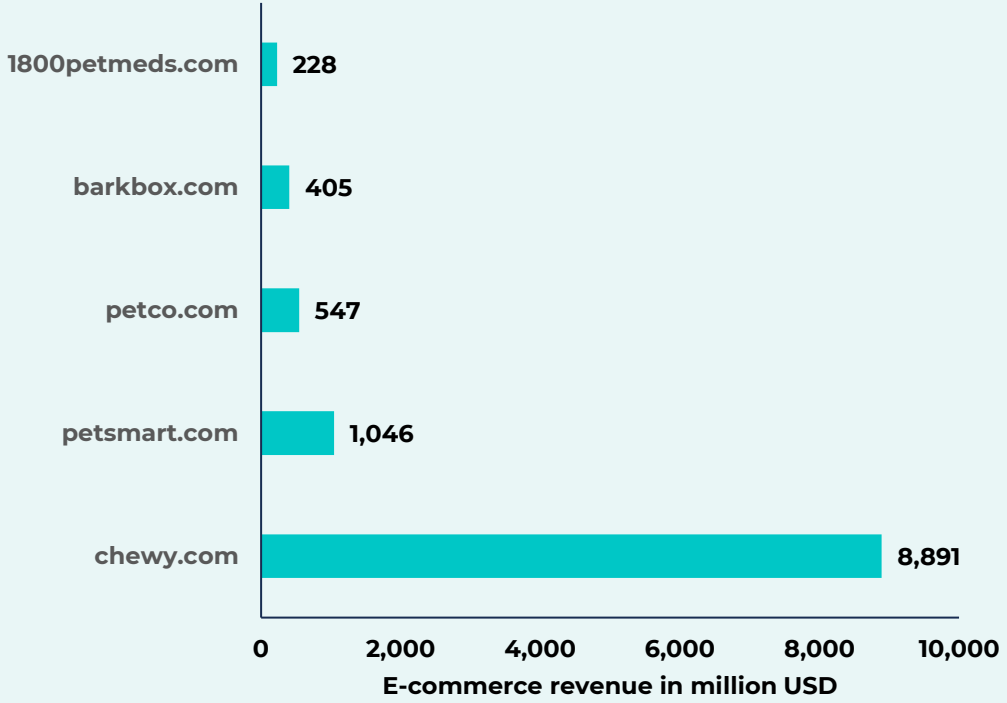


Source: Statista number of stores; Statista market revenue

Chewy Leads E-Commerce Sales and Has the Highest Level of Consumer Awareness after PetSmart

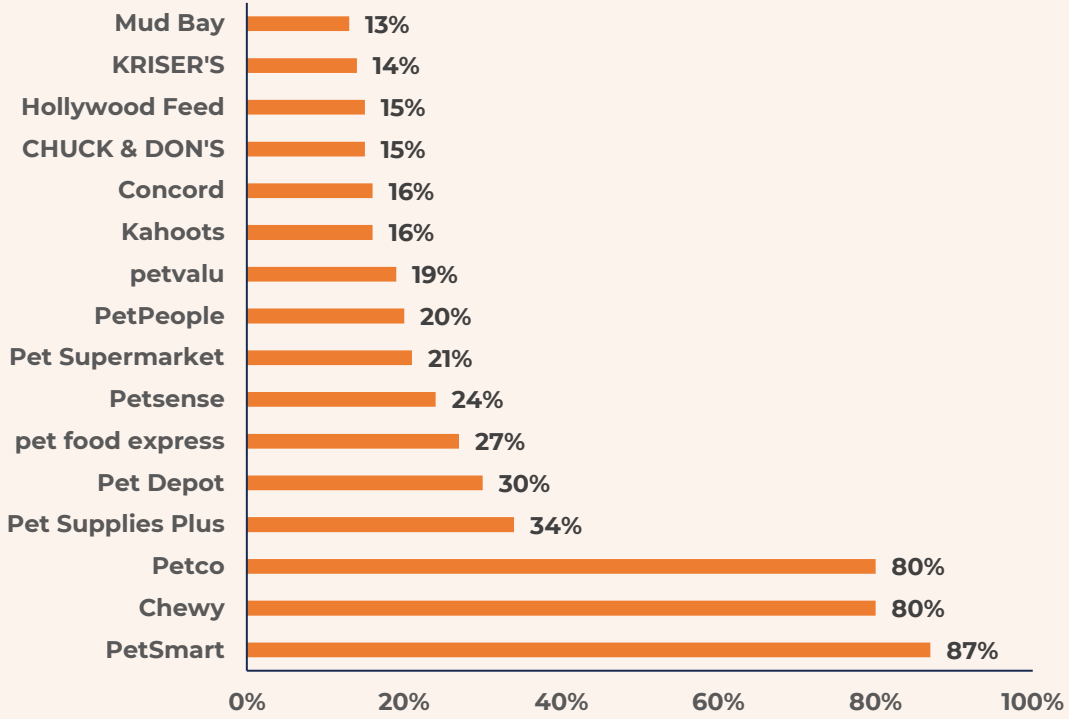
Revenue

Top online stores in the pet supplies segment in the US in 2021 by e-commerce net sales



Awareness

Leading pet supply online shops ranked by brand awareness in the US in 2022

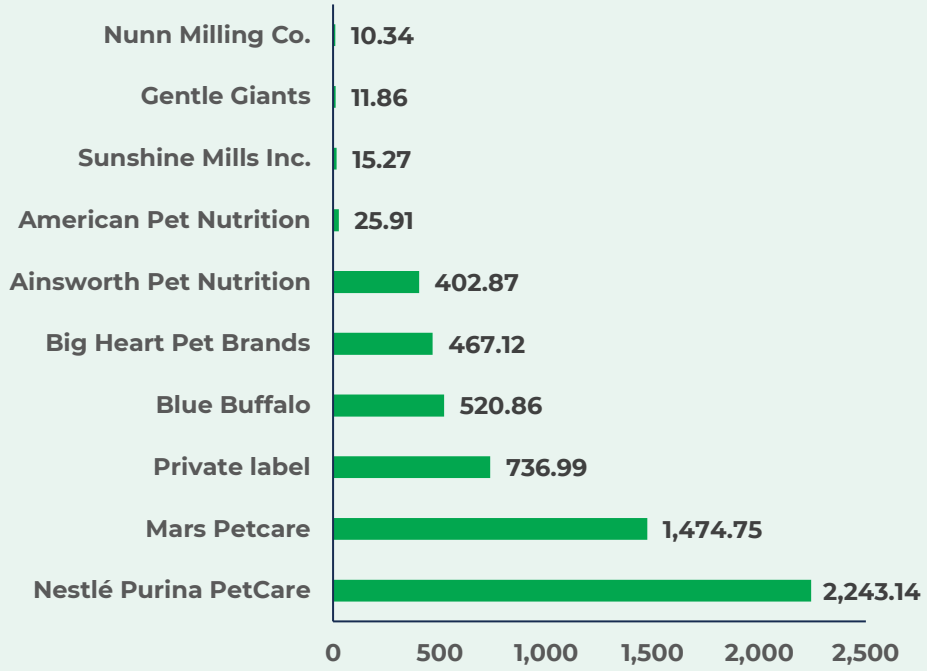


Source: Statista report, "Pet Store Market in the US," accessed July 2023.

Nestle Purina & Mars Petcare Were the Best-Selling Dog Food Providers in 2022

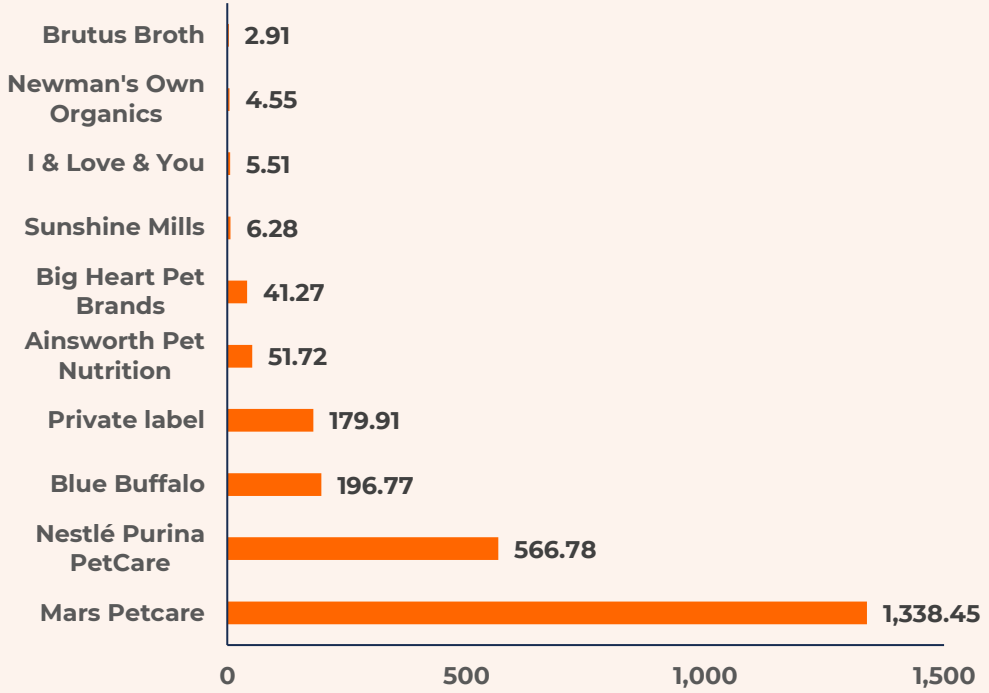
Nestle Purina leads sales in the dry dog food category which accounted for 48% of all dog food and treats sales.

Sales of the leading dry dog food vendors in the US in 2022 (in million USD)



Wet food accounts for 19% of US dog food and treat sales. Mars Petcare led sales in this space.

Sales of the leading wet dog food vendors in the US in 2022 (in million USD)

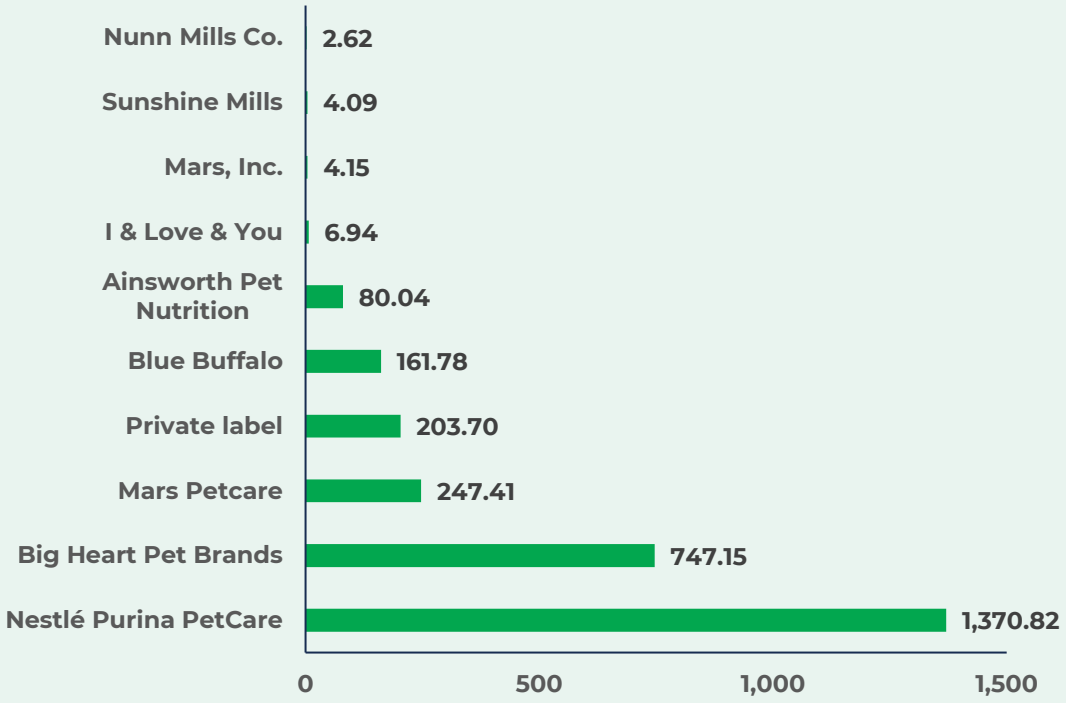


Source: Statista, "Pet food in the US dossier," downloaded July 2023.

In 2022 Nestle Purina Were the Best-selling Cat Food Providers, Wet and Dry

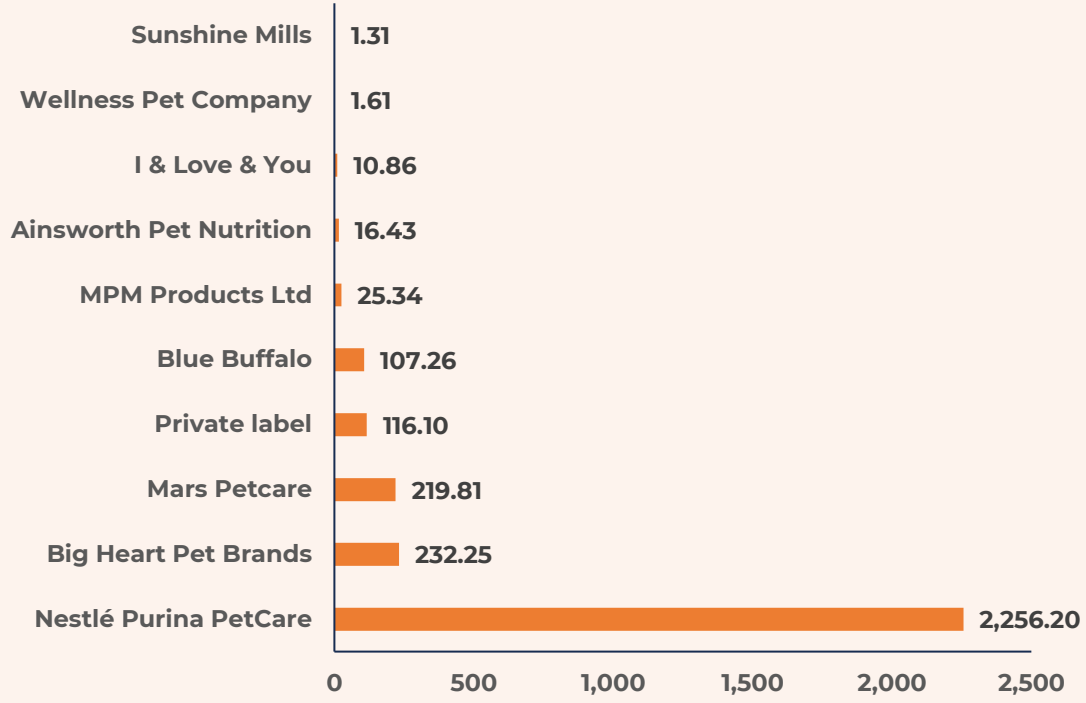
Dry cat food accounted for 43% of total cat food and treats sales

Sales of the leading dry cat food vendors in the US in 2022 (in million USD)



Wet cat food accounted for 41% of total cat food and treats sales

Sales of the leading wet cat food in the US in 2022 (in million USD)

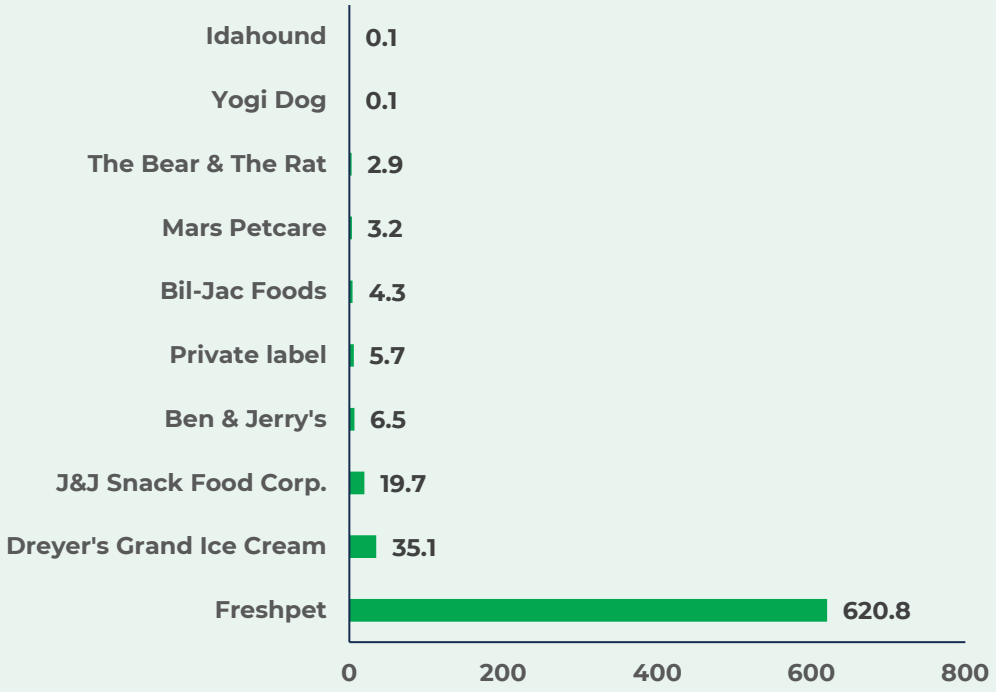


Source: Statista, "Pet food in the US dossier," downloaded July 2023.

Sector Founder, Freshpet, is the Brand Leader in the Frozen/Refrigerated Space

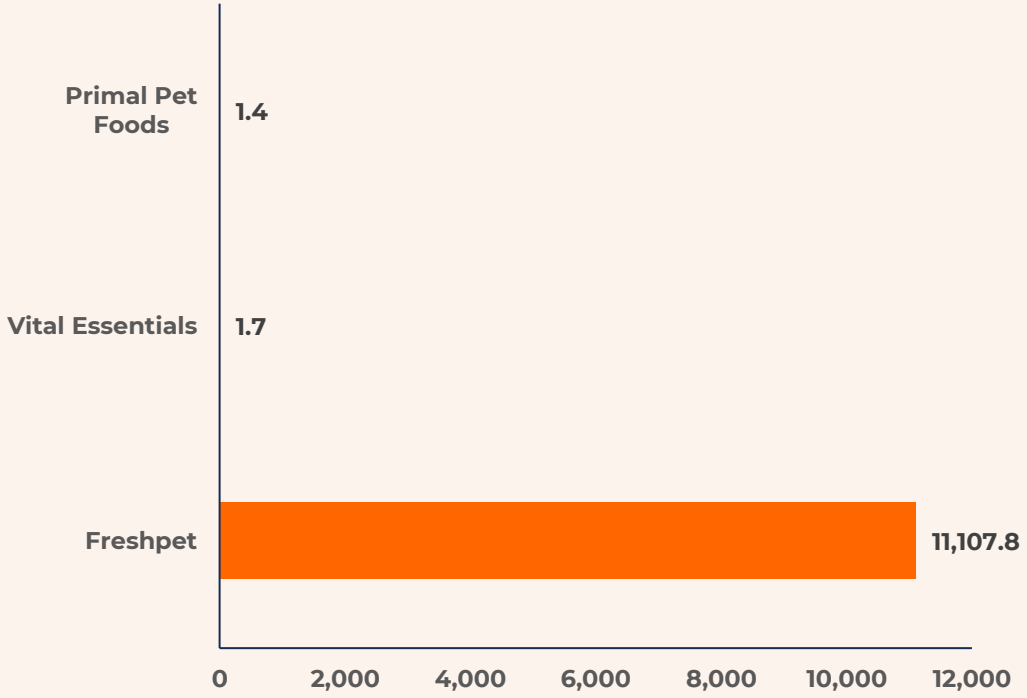
Dog Food Brands ($699 million total sales in 2022)

Sales of the leading frozen/refrigerated dog food vendors in the US in 2022 (in million USD)



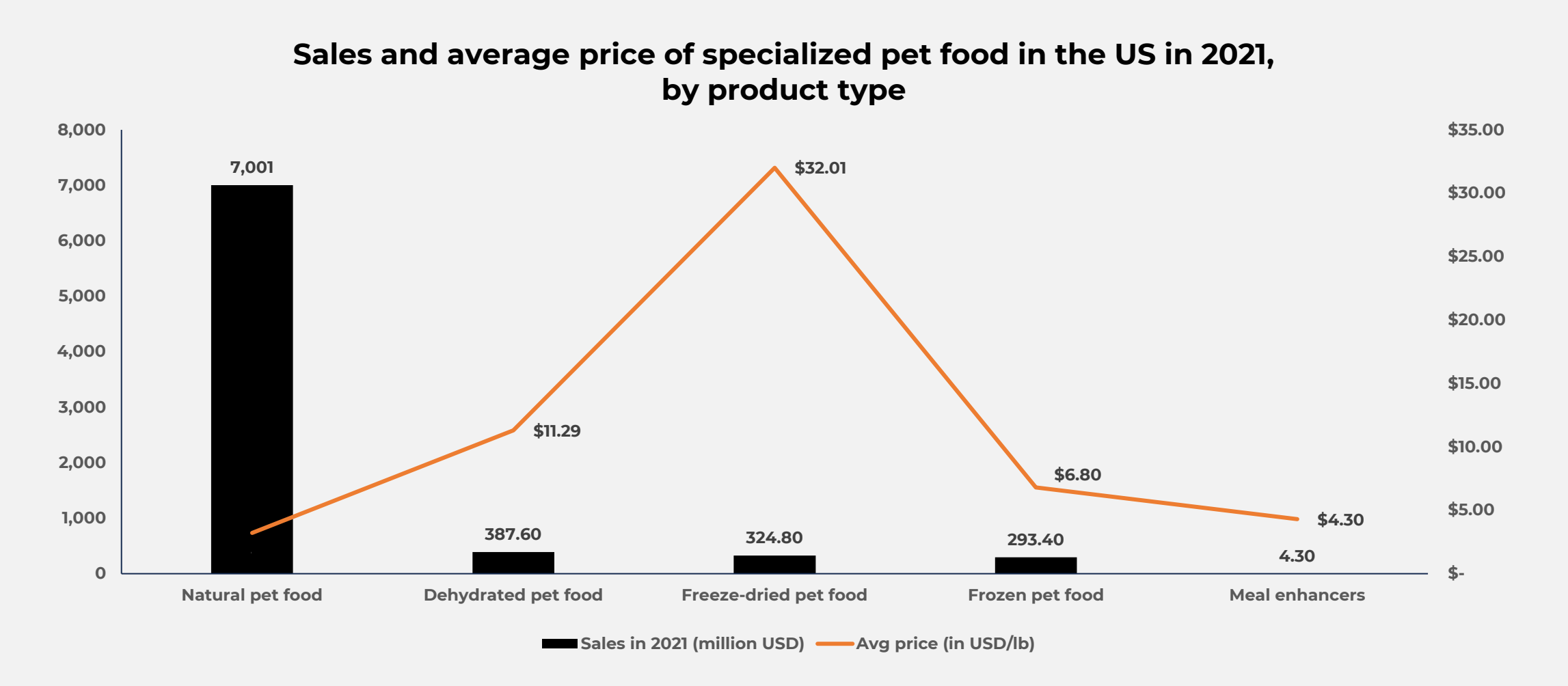
Cat Food Brands (11.1 million total sales in 2022)

Sales of the leading frozen/refrigerated cat food vendors in the US in 2022 (in thousands USD)



Source: Statista, "Sales-frozen-refrigerated pet food vendors in the United States, 2022. https://www.statista.com/statistics/1089041/sales-frozen-refrigerated-dog-food-vendors-in-the-united-states/

Although Only a Small Part of the Market, Freeze-Dried Foods Command a Premium

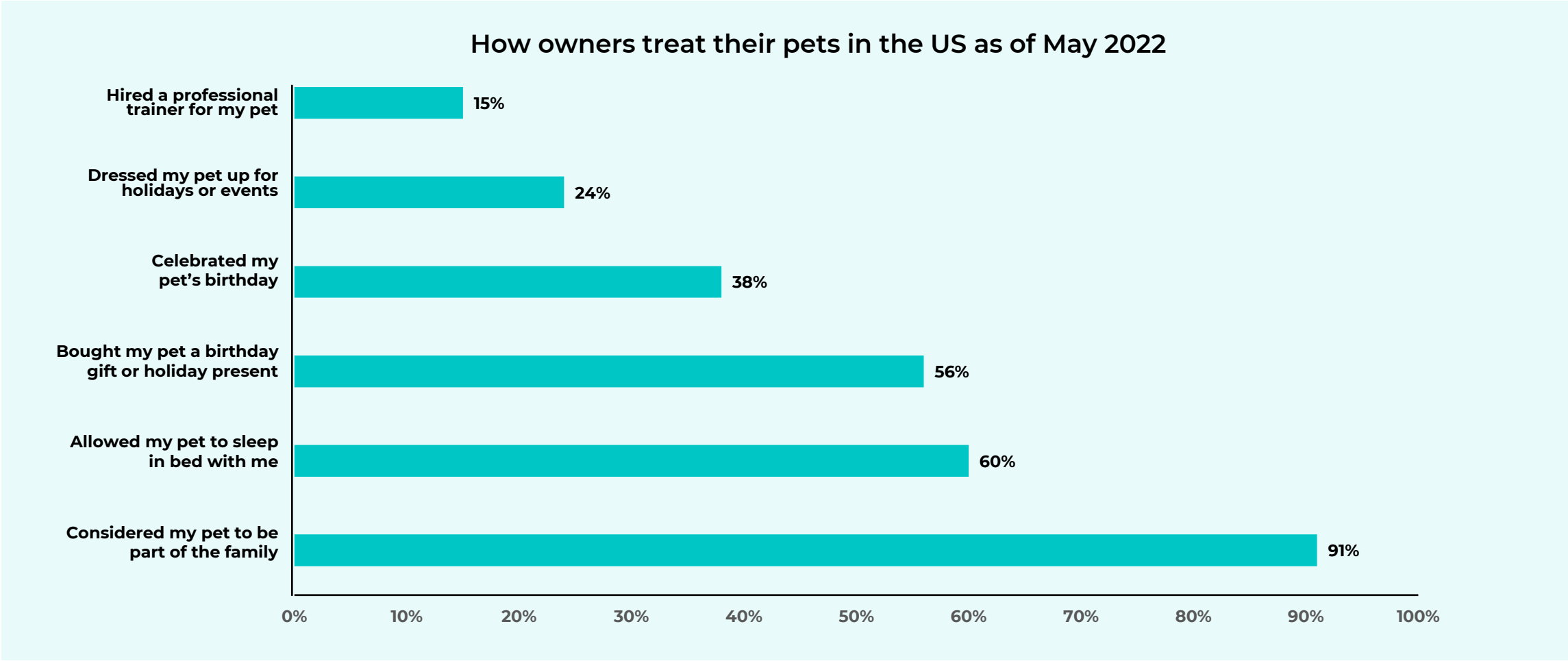


Source: Statista, originally sourced by NielsenIQ, accessed July 2023; Sales and price data

SECTION 3

US CONSUMER INSIGHTS

Pets are Considered Part of the Family in the US

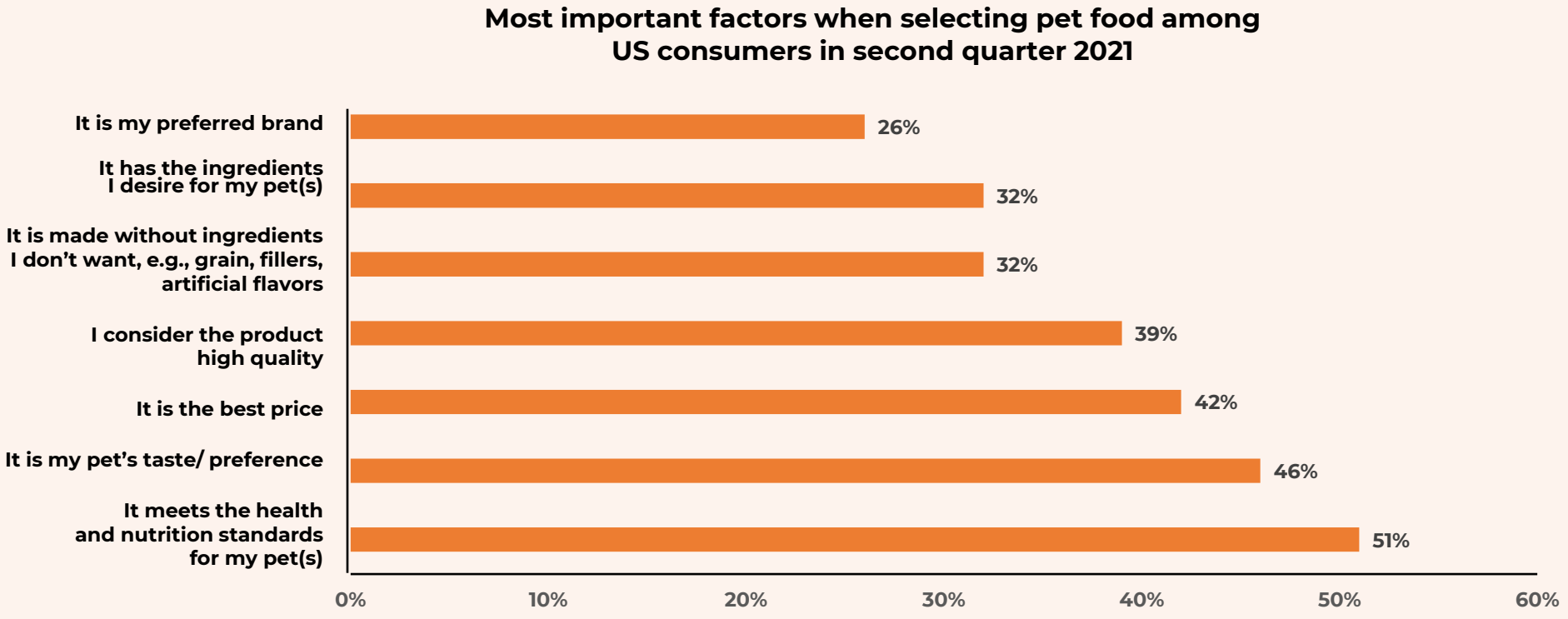


Details: United States; May 6 to 10, 2022; 1,000 respondents; 18 years and older; Online survey; Statista consumer survey

Source: Statista report on pet humanization, accessed July 2023.

The Humanization of Pets is Reflected in the Considerations that Influence Pet Food Choices

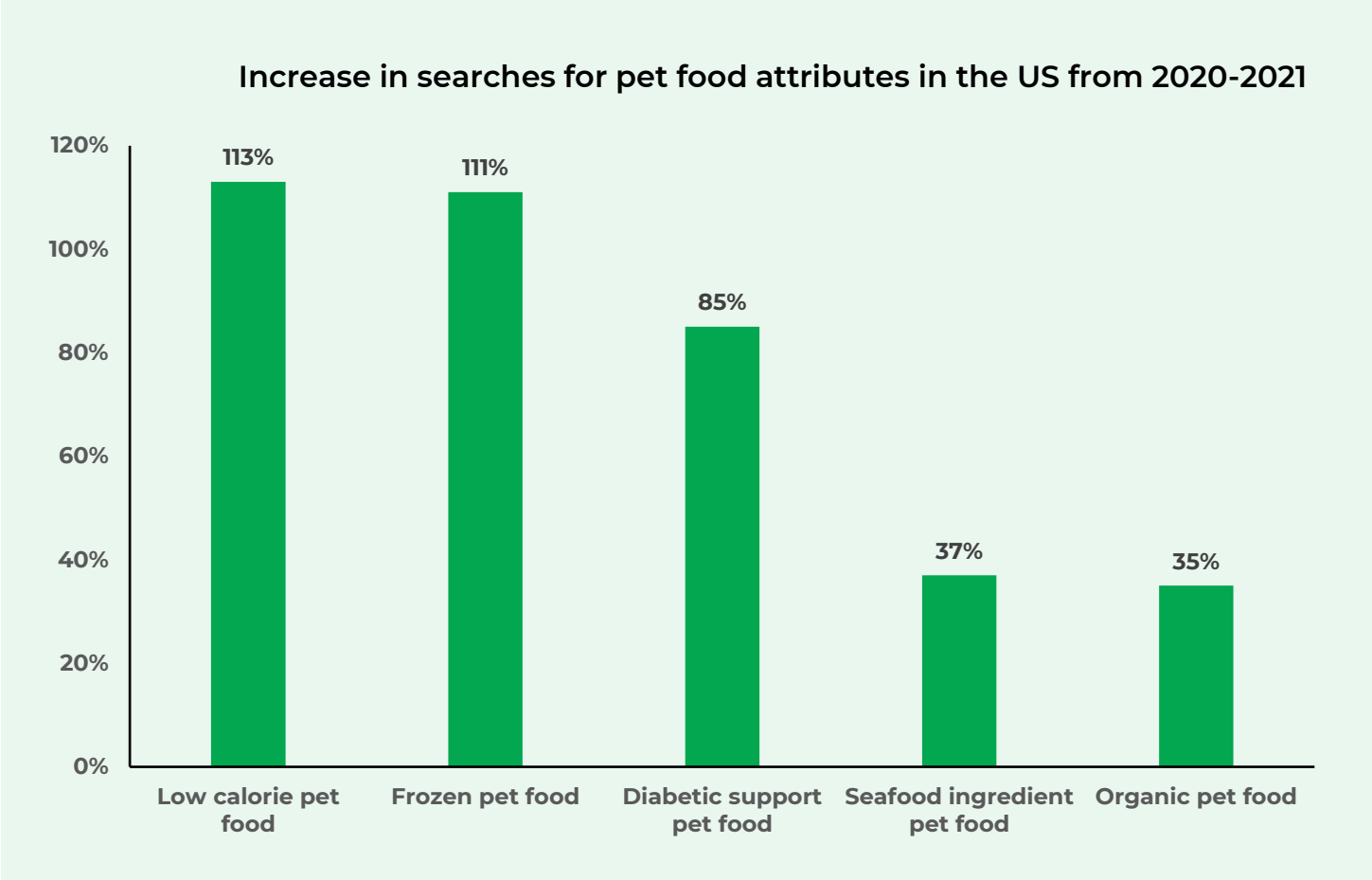
The top three considerations are health and nutrition, the pet's taste/preference and then price.



Details: IRI Consumer Connect survey; United States; Q2 2021; over 2,000
Source: Statista report on pet humanization, accessed July 2023.

Pet Food Searches on Amazon Reflect the Importance of Health and Well-Being Considerations in Consumer Choices

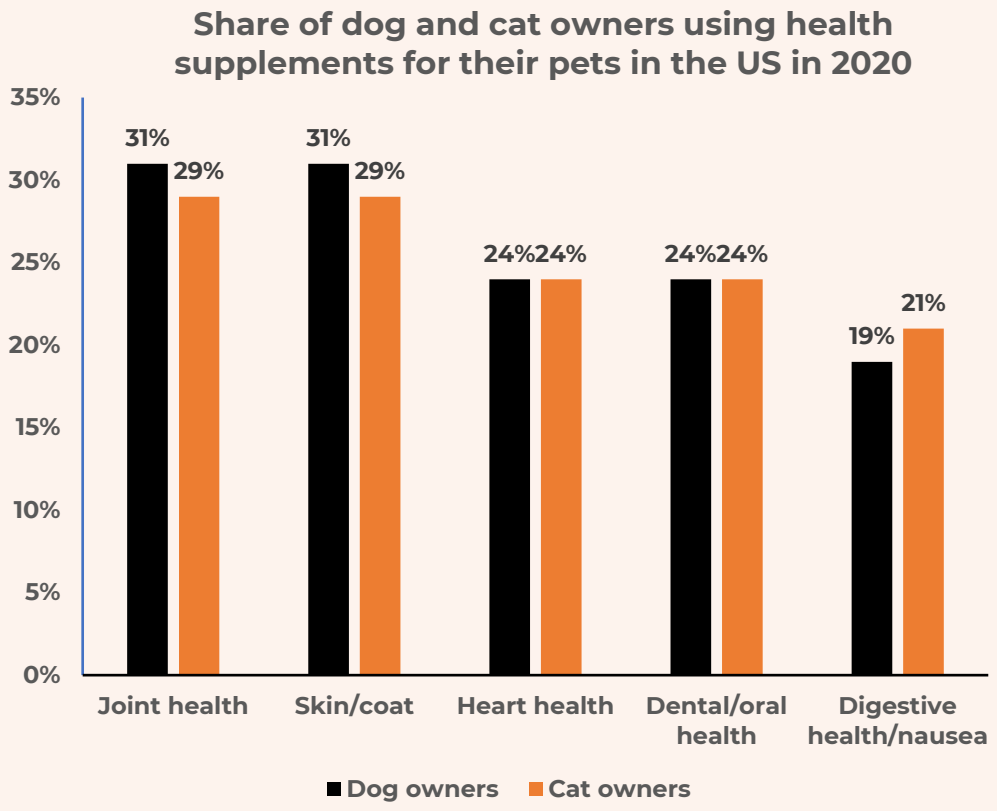
Searches for low calorie pet food more than doubled. Double digit increases in searches for other health and well being factors were also observed.



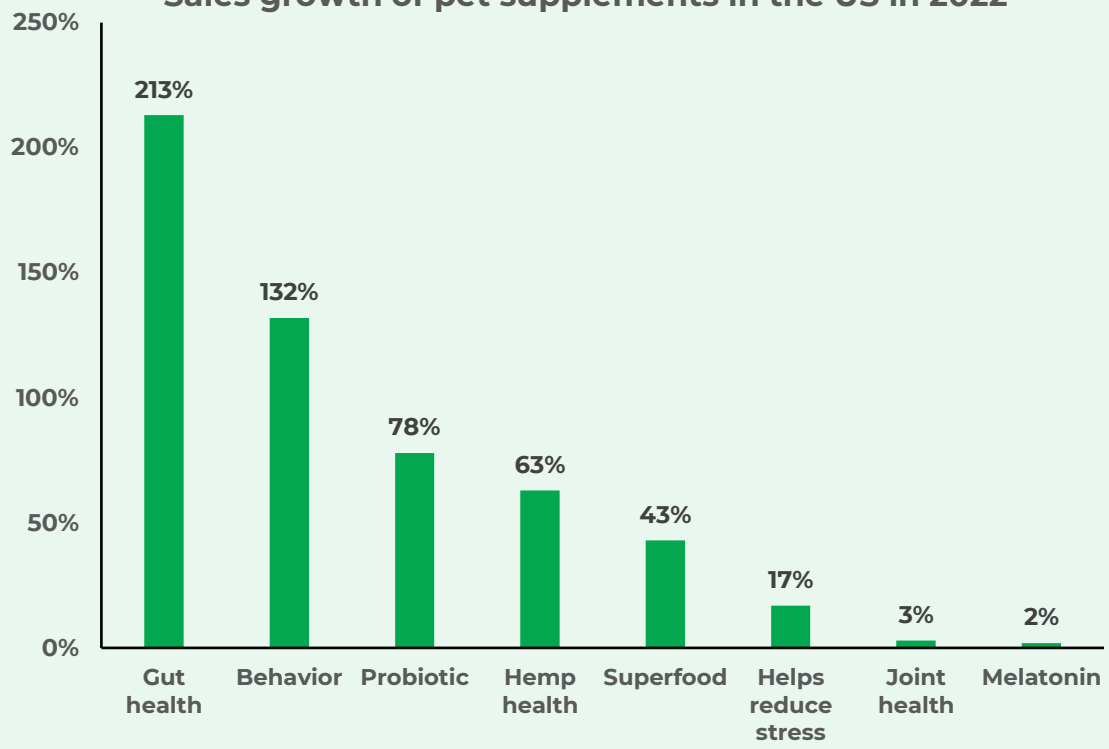
Source: Statista, originally from NielsenIQ report, accessed July 2023; survey was run between April 2020 and March 2021.

Pet Health Supplements Sales Have Increased, Reflecting the Health/Nutrition Focus of US Pet Owners

A sizeable minority of cat and dog owners use supplements



Gut health & behavioral supplement sales have grown most strongly

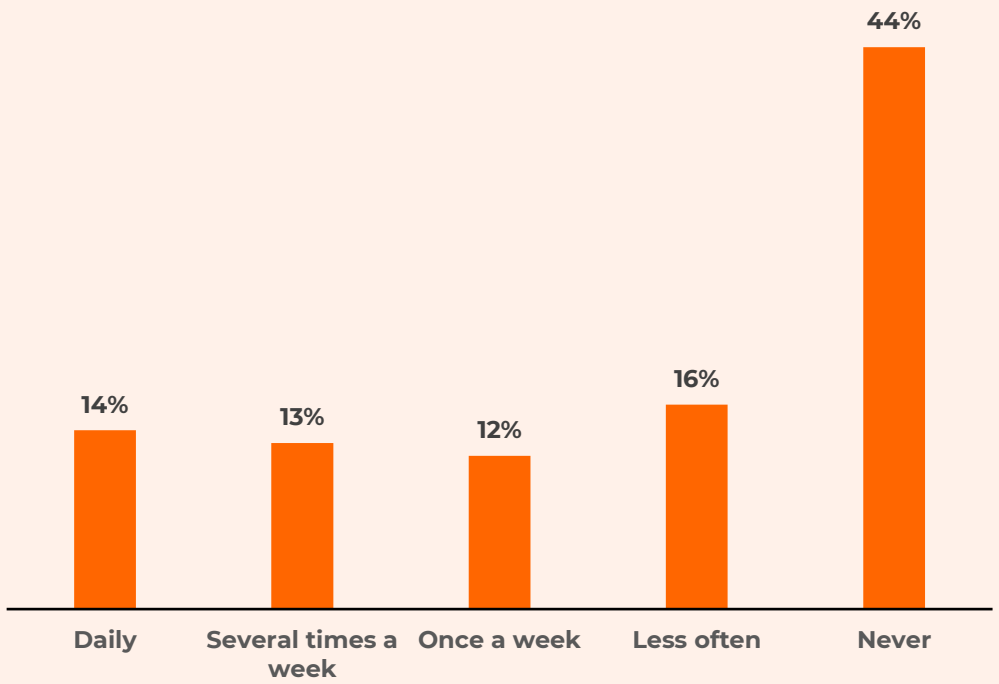


Source: Statista, Pet Food Processing. (September 7, 2022). Sales growth of pet supplements in the United States in 2022, by claim [Graph]. In Statista. Retrieved August 09, 2023, from https://www.statista.com/statistics/1343614/pet-supplement-sales-growth-by-type-us/; Statista, Petfood Industry. (March 1, 2021). Share of dog and cat owners using health supplements for their pets in the United States in 2020, by condition [Graph]. In Statista. Retrieved August 09, 2023, from https://www.statista.com/statistics/1029491/pet-supplement-usage-by-condition-us/.

Supplement Usage is Common Amongst Dog Owners

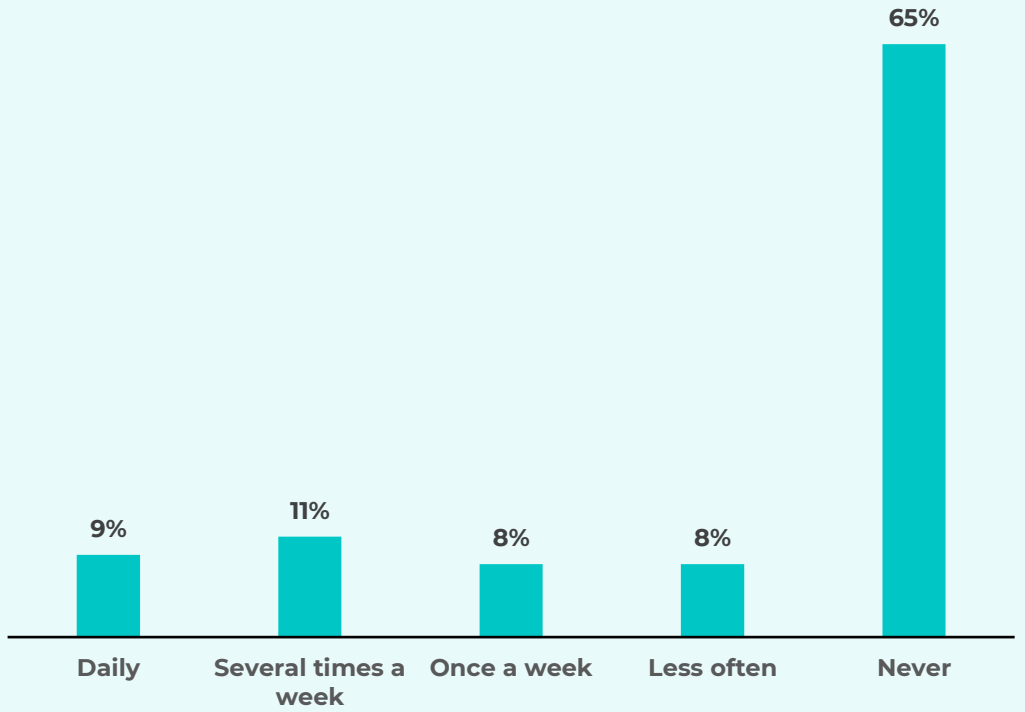
Dogs

Almost 40% of dog owners provide their pet with supplements at least once a week



Cats

Just over a quarter of cat owners provide their pets with supplements at least once a week

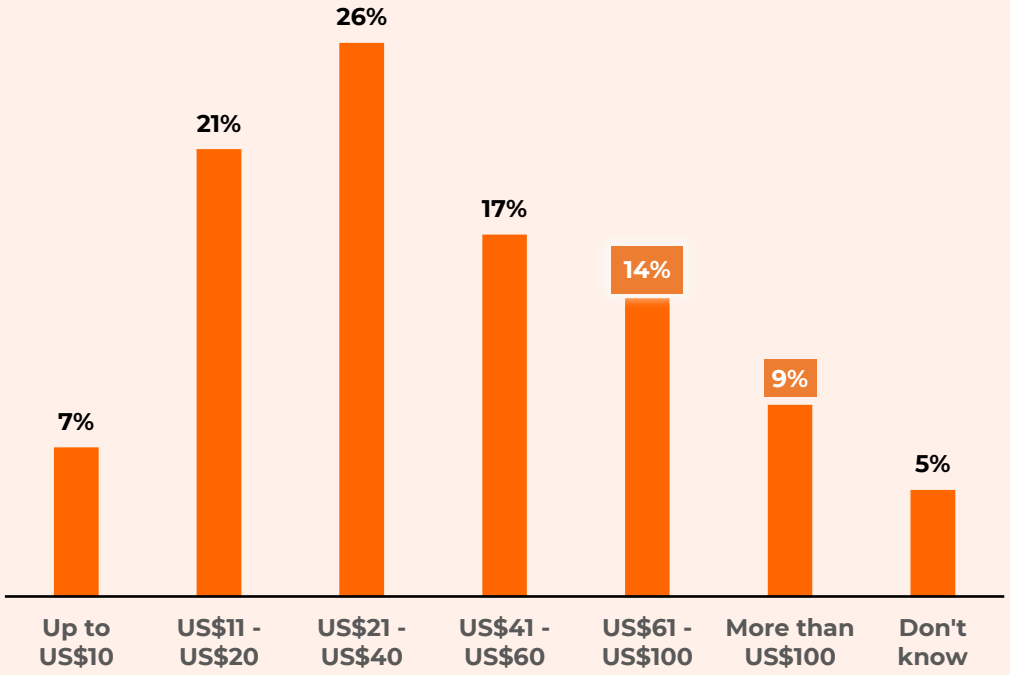


Source: Statista consumer insights survey, survey period Nov 2022, 1056 respondents in US who own a pet, ages 18 and older; accessed August 2023.

Reflecting Their Higher Usage Levels, Dog Owners Spend More Per Month on Supplements

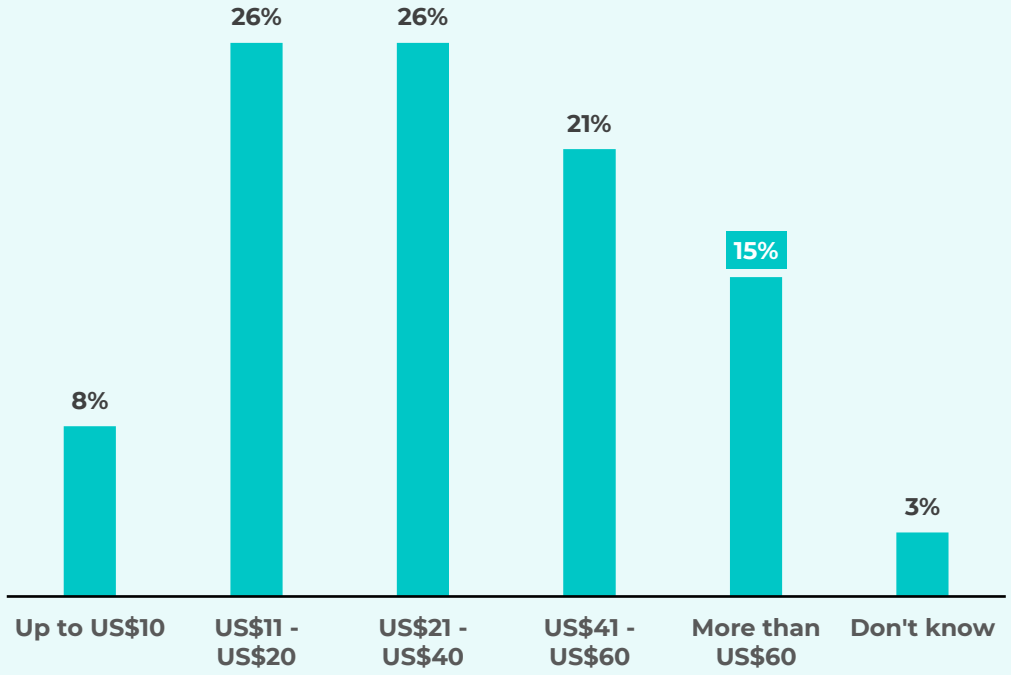
Dogs

On average, how much do you spend per month and per dog on special nutrition/food supplements?



Cats

On average, how much do you spend per month and per cat on special food/food supplements?

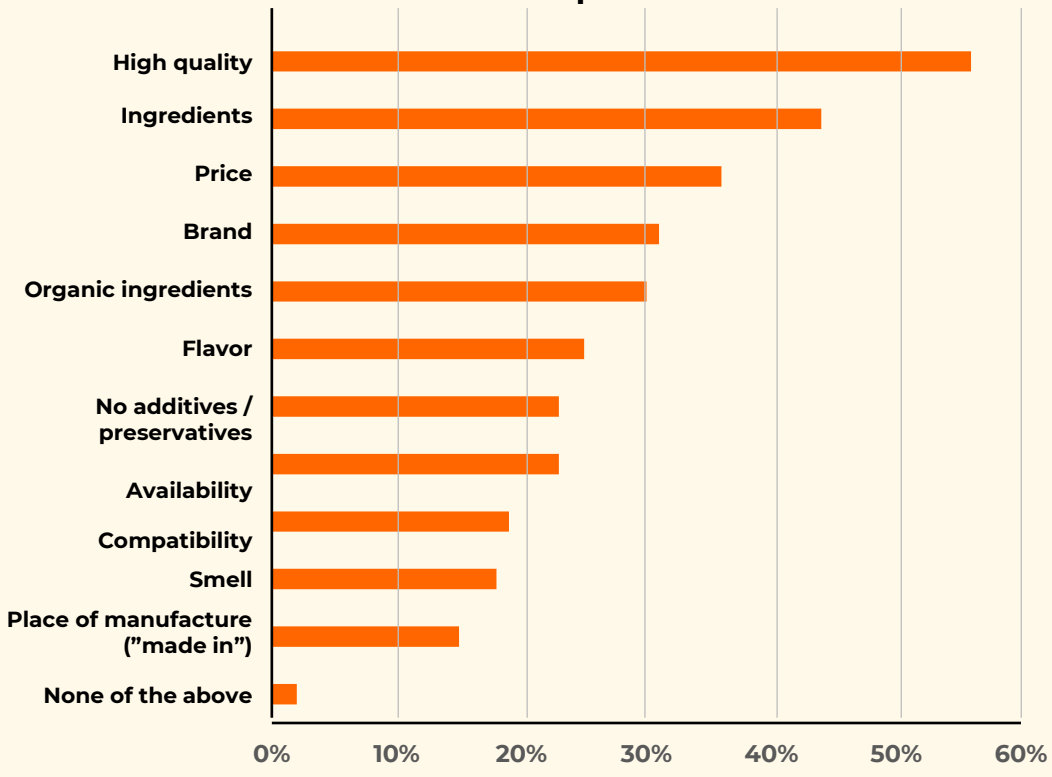


Source: Statista consumer insights survey, survey period Nov 2022, 1056 respondents in US who own a pet, ages 18 and older; accessed August 2023.

High Quality, Specific Ingredients and Price are the Top Considerations in Pet Supplement Purchases

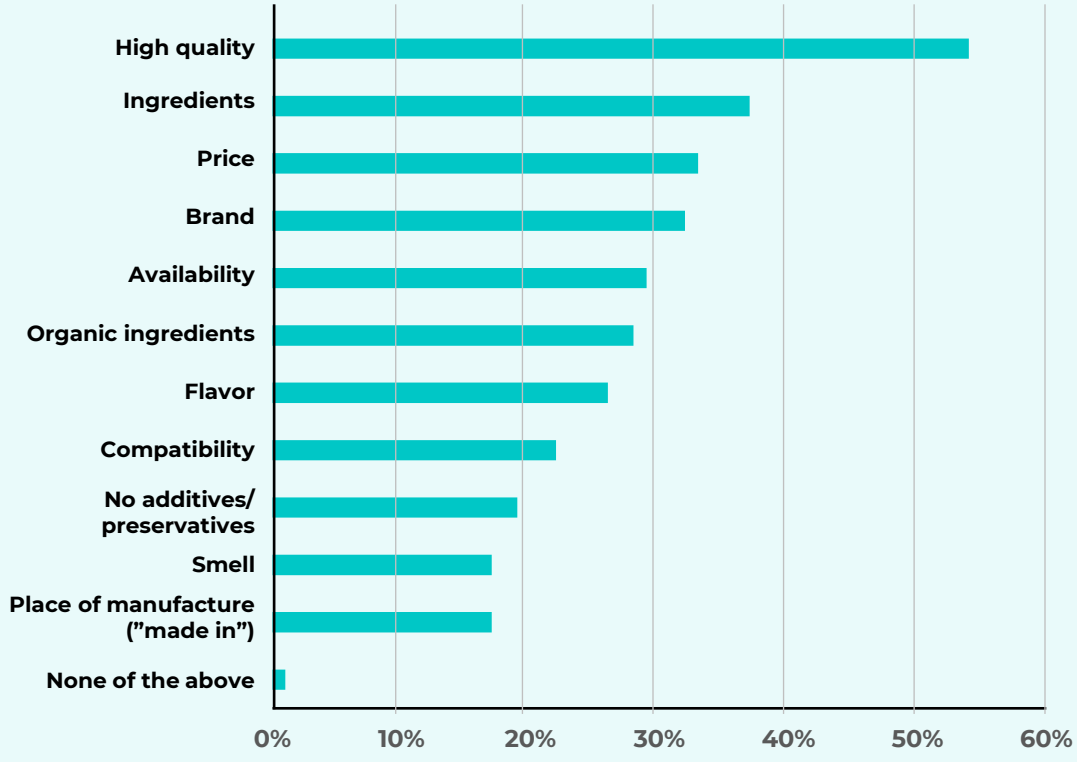
Dogs

When buying special food/ food supplements for dogs, what are the most important criteria?



Cats

When buying special food/ food supplements for cats, what are the most important criteria?

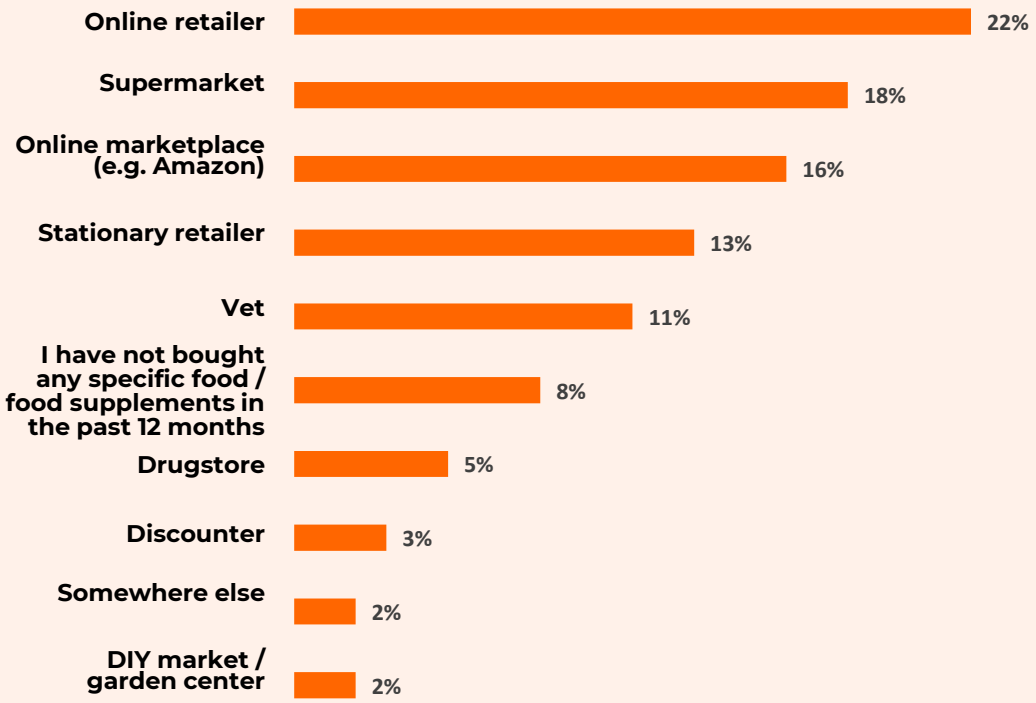


Source: Statista consumer insights survey, survey period Nov 2022, 1056 respondents in US who own a pet, ages 18 and older; accessed August 2023.

Supplements are Purchased from Multiple Sources But Online and Supermarkets are the Two Largest Channels

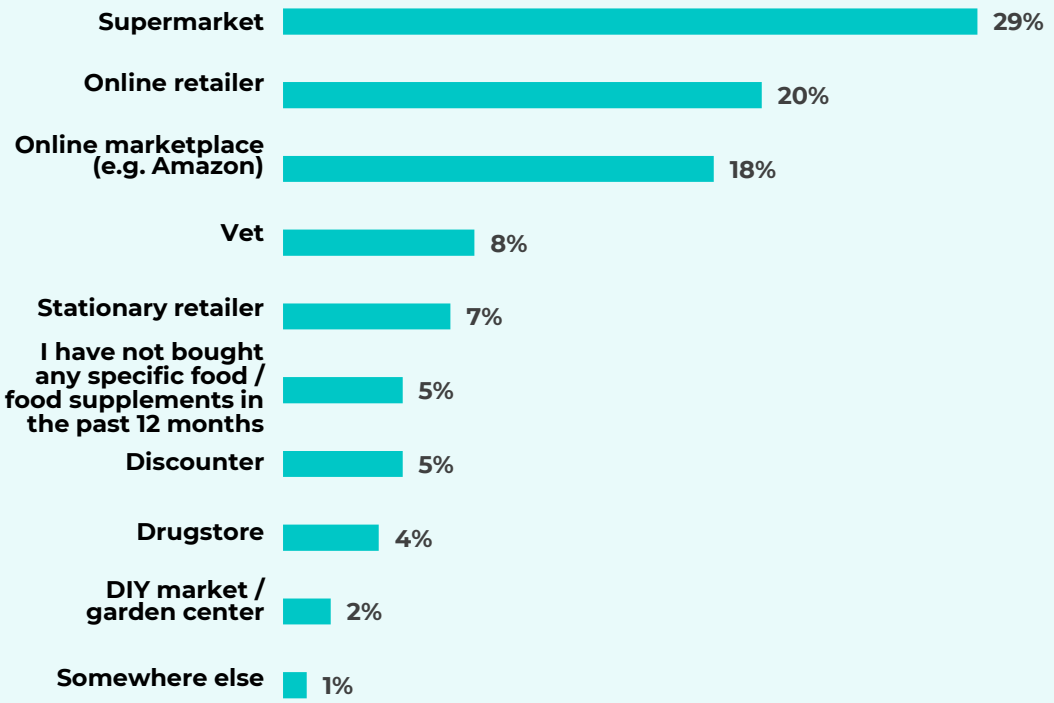
Dogs

Where have you mainly bought special food/food supplements in the past 12 months?



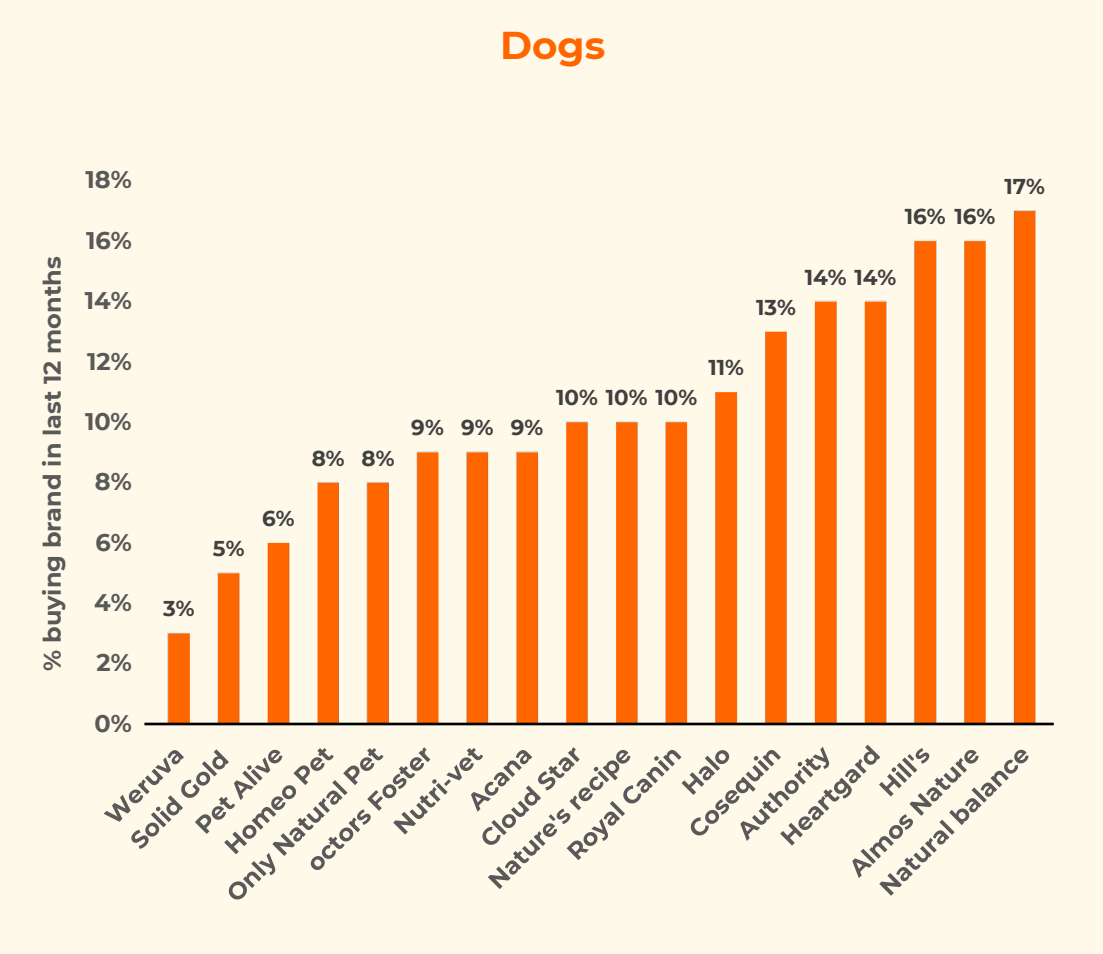
Cats

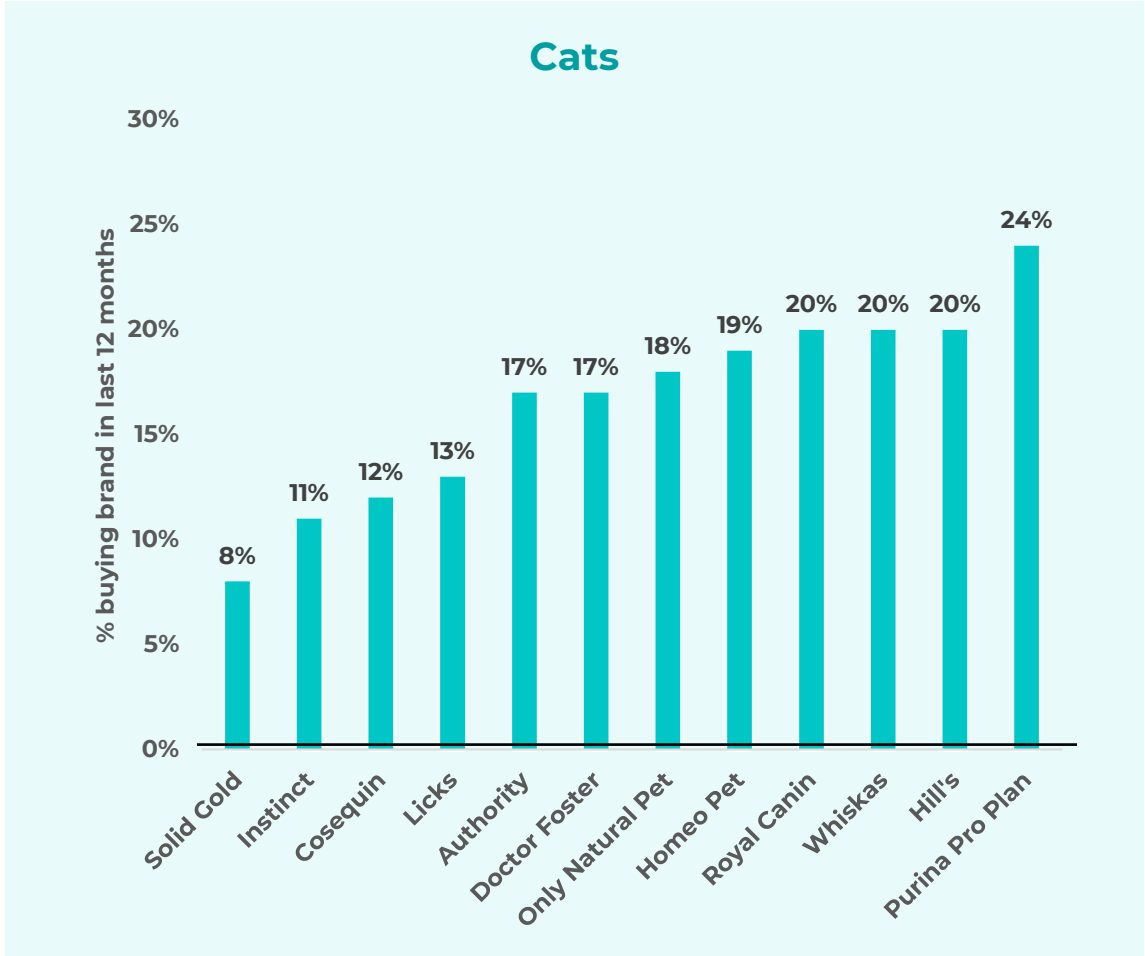
Where have you mainly bought special food/food supplements in the past 12 months?



Source: Statista consumer insights survey, survey period Nov 2022, 1056 respondents in US who own a pet, ages 18 and older; accessed August 2023.

No Supplement Brand Has Yet Taken a Dominant Lead in the Cat or Dog Sector





Note: In both the Dog and Cat supplements market there is a long tail of brands with shares below 3%. Brand salience is also lower than In many categories: In the Dog supplements market, 14% of supplement buyers did not know which brand they bought. The equivalent figure in the Cat supplements market was 8%

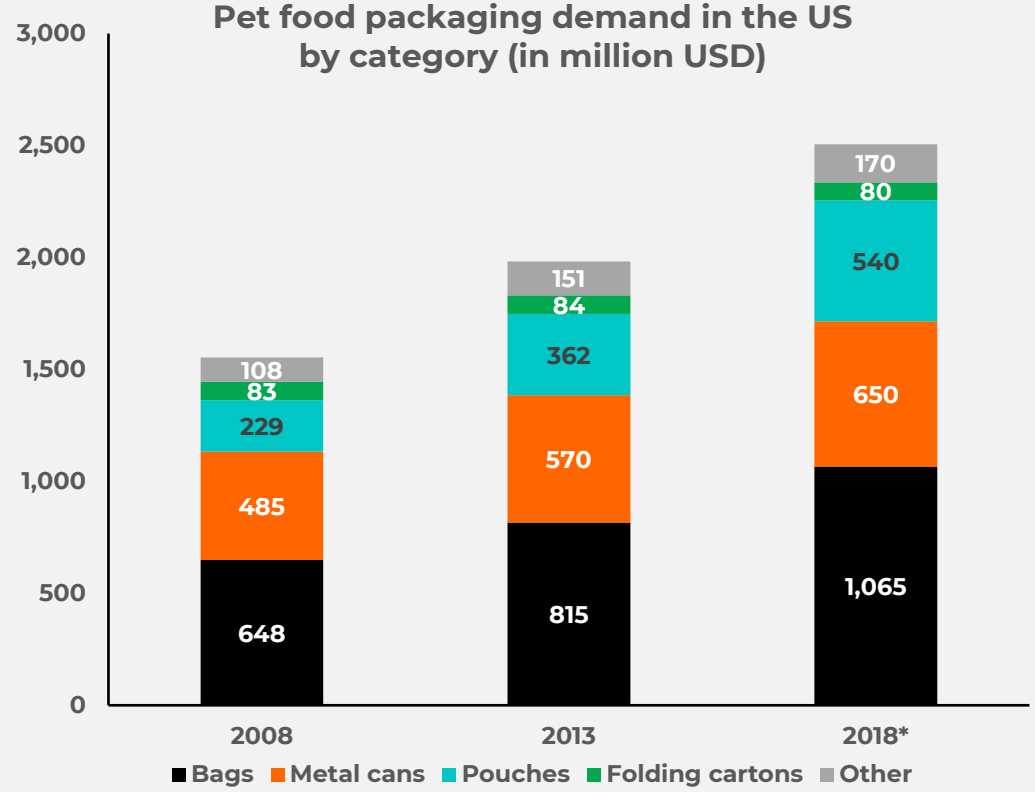
Source: Statista consumer insights survey, survey period Nov 2022, 1056 respondents in US who own a pet, ages 18 and older; accessed August 2023.

SECTION 4

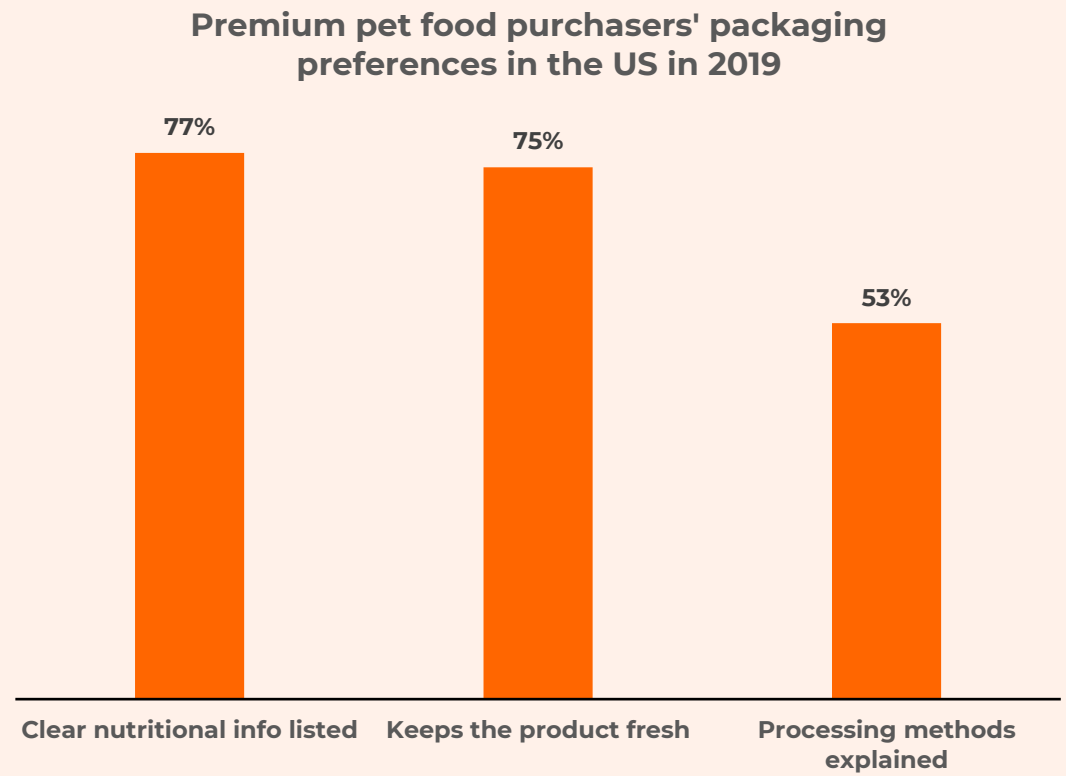
US PACKAGING TRENDS

The Use of All Pet Food Packaging Formats Has Increased

The use of all packaging types has increased



For premium buyers, the top three packaging requirements are to provide key information and to keep the product fresh



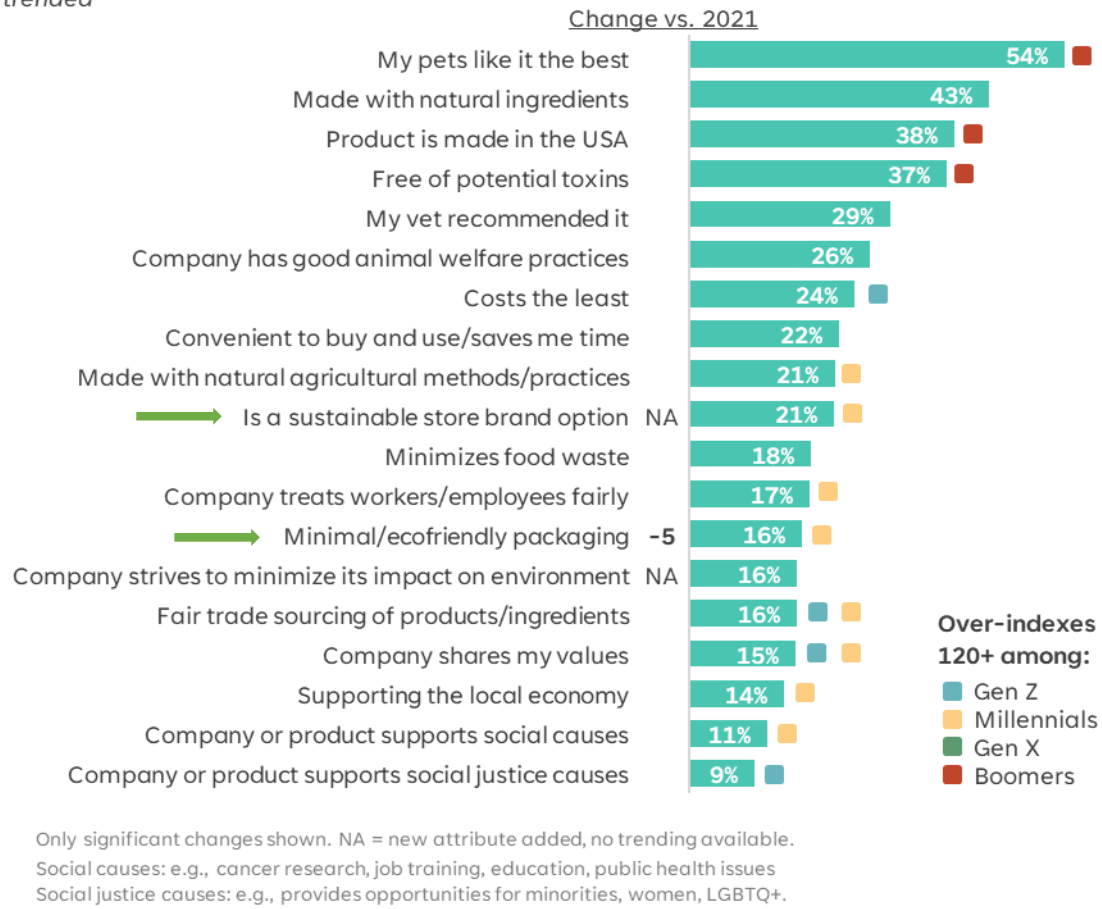
Source: Packaging Strategies. (August 21, 2014). Pet food packaging demand in the United States from 2008 to 2018, by category (in million U.S. dollars) [Graph]. In Statista. Retrieved August 29, 2023, from https://www.statista.com/statistics/620189/pet-food-packaging-demand-in-the-us-by-category; Pet Food Processing. (December 1, 2019). Premium pet food purchasers' packaging preferences in the United States in 2019 [Graph]. In Statista. Retrieved August 29, 2023, from https://www.statista.com/statistics/1089004/premium-pet-food-purchasers-packaging-preferences-us/

Pet owners look primarily for food that their pet will eat and enjoy, sustainability is not THE driving factor



Purchase criteria for pet food, treats, or snacks

Among consumers who purchased pet food in the past 3 months and assigned category, trended



Only significant changes shown. NA = new attribute added, no trending available.
Social causes: e.g., cancer research, job training, education, public health issues
Social justice causes: e.g., provides opportunities for minorities, women, LGBTQ+.

Source: Hartman US Sustainability 2023 Study.

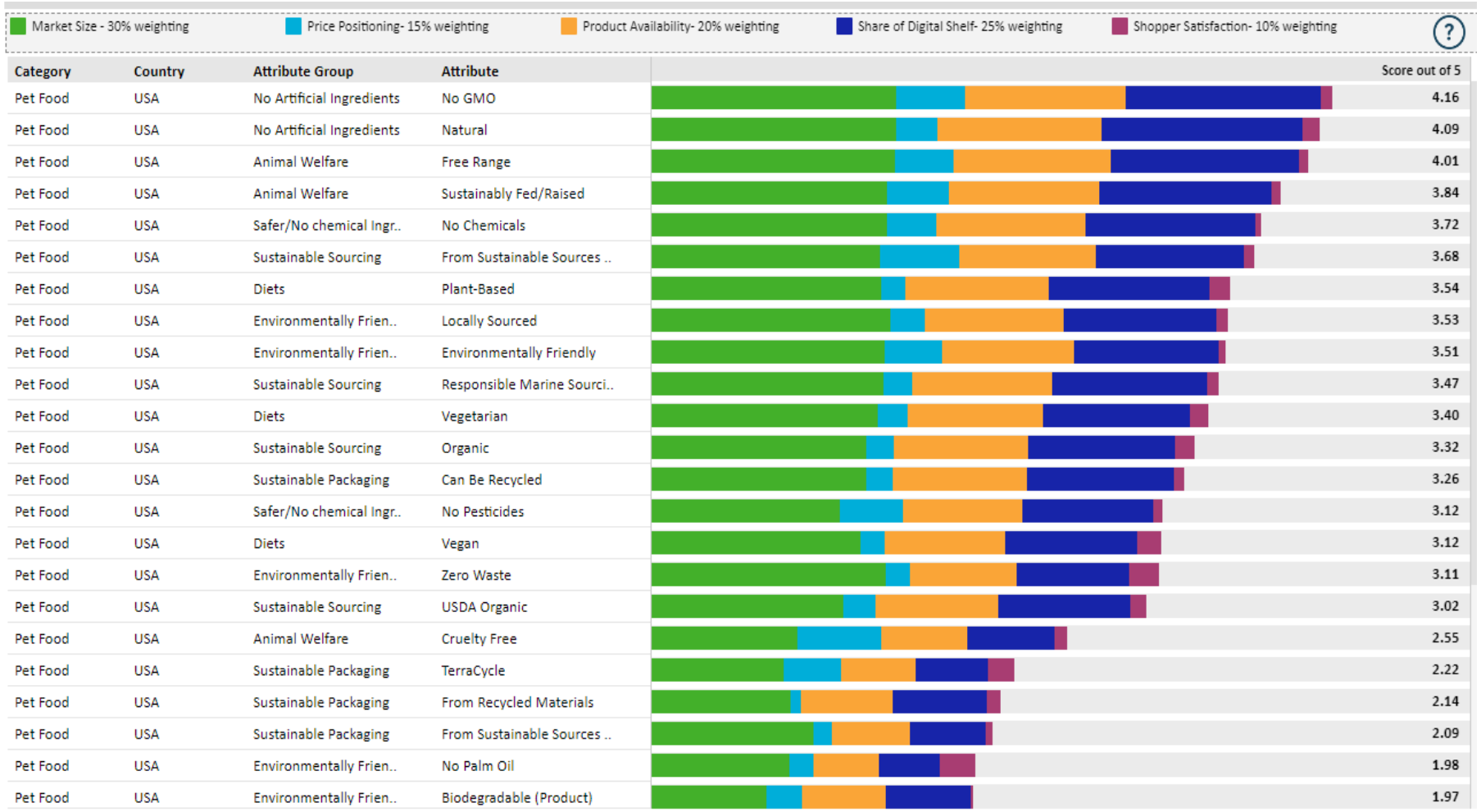
Sustainable Packaging is Not Yet a Key Consideration for US Consumers

The “Natural” , no artificial ingredients, no GMO claim has a large impact and share of digital shelf.

Claims relating to specific diets are popular and perform better than claims about sustainable packaging.

Claims for certifications like B corp, FSC, Made Safe, Carbon Neutral do not have a large impact.

Claims about sustainable packaging and no chemical ingredients performed the worst.



Category	Country	Attribute Group	Attribute	Score out of 5
Pet Food	USA	No Artificial Ingredients	No GMO	4.16
Pet Food	USA	No Artificial Ingredients	Natural	4.09
Pet Food	USA	Animal Welfare	Free Range	4.01
Pet Food	USA	Animal Welfare	Sustainably Fed/Raised	3.84
Pet Food	USA	Safer/No chemical Ingr..	No Chemicals	3.72
Pet Food	USA	Sustainable Sourcing	From Sustainable Sources ..	3.68
Pet Food	USA	Diets	Plant-Based	3.54
Pet Food	USA	Environmentally Frien..	Locally Sourced	3.53
Pet Food	USA	Environmentally Frien..	Environmentally Friendly	3.51
Pet Food	USA	Sustainable Sourcing	Responsible Marine Sourci..	3.47
Pet Food	USA	Diets	Vegetarian	3.40
Pet Food	USA	Sustainable Sourcing	Organic	3.32
Pet Food	USA	Sustainable Packaging	Can Be Recycled	3.26
Pet Food	USA	Safer/No chemical Ingr..	No Pesticides	3.12
Pet Food	USA	Diets	Vegan	3.12
Pet Food	USA	Environmentally Frien..	Zero Waste	3.11
Pet Food	USA	Sustainable Sourcing	USDA Organic	3.02
Pet Food	USA	Animal Welfare	Cruelty Free	2.55
Pet Food	USA	Sustainable Packaging	TerraCycle	2.22
Pet Food	USA	Sustainable Packaging	From Recycled Materials	2.14
Pet Food	USA	Sustainable Packaging	From Sustainable Sources ..	2.09
Pet Food	USA	Environmentally Frien..	No Palm Oil	1.98
Pet Food	USA	Environmentally Frien..	Biodegradable (Product)	1.97

Source: Euromonitor sustainability index tracker

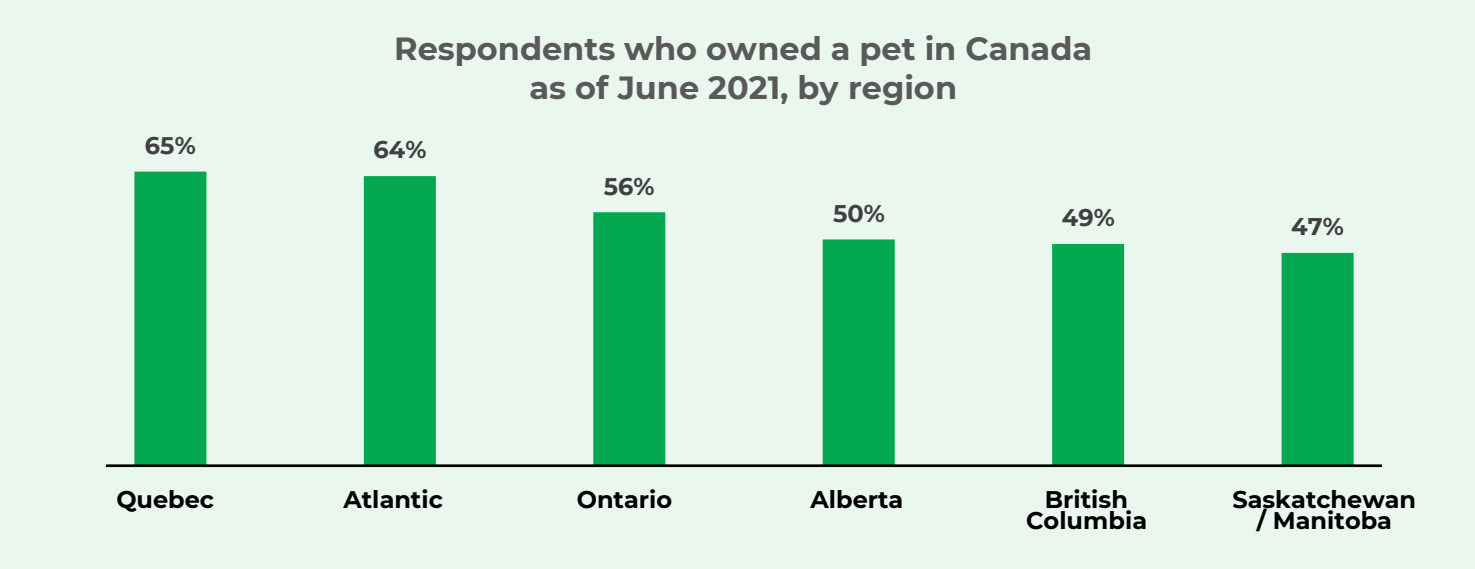
SECTION 5

CANADIAN PET INDUSTRY OVERVIEW

Pet Ownership Varies Across the Regions of Canada

Pet ownership levels vary by region. Pet ownership is highest in Quebec and the Atlantic region and lowest in Saskatchewan/ Manitoba.



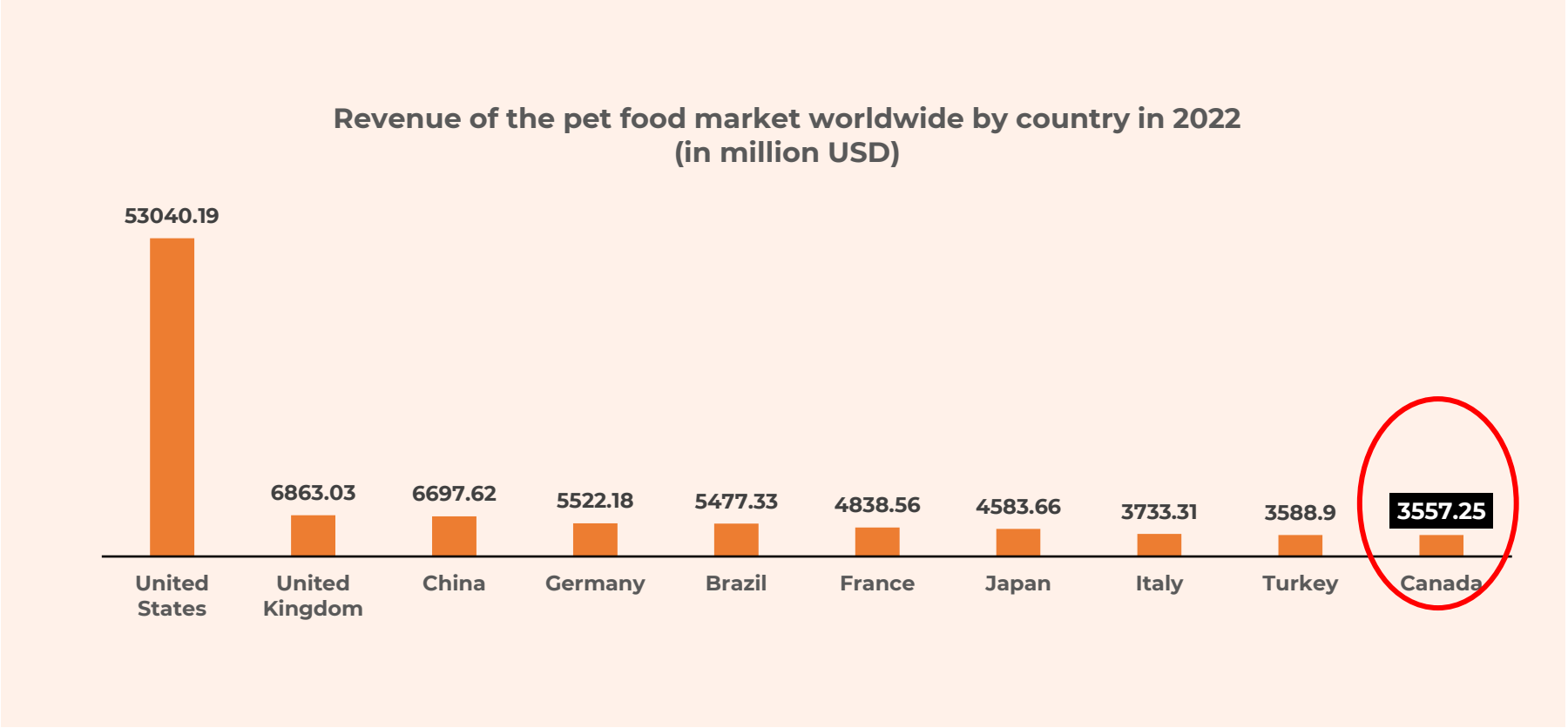


Source: Pet Food Processing. (September 29, 2022). Number of cats and dogs in households in Canada in 2022 (in millions) [Graph]. In Statista. Retrieved August 29, 2023, from https://www.statista.com/statistics/1015882/number-of-pet-cats-and-dogs-canada/; Abacus Data. (June 10, 2021). Share of respondents who owned a pet in Canada in as of June 2021, by region [Graph]. In Statista. Retrieved August 29, 2023, from https://www.statista.com/statistics/1281514/pet-ownership-by-region-canada/

Overall, Canada is a Moderately Sized Pet Food Market

Canada was the 10th largest pet food market in 2022 achieving revenues of $3.557 billion USD.

Worldwide, Canada was the 8th largest market in per capita volume sales in 2022.



Source: Statista consumer market insights, published in "Pet food market in Canada" report, accessed in August 2023; Statista. (June 27, 2023). Per-capita volume sales in the pet food market worldwide, by country in 2022 (in kilograms) [Graph]. In Statista. Retrieved August 29, 2023, from https://www.statista.com/forecasts/758722/per-capita-volume-sales-in-the-pet-food-market-worldwide-by-country.

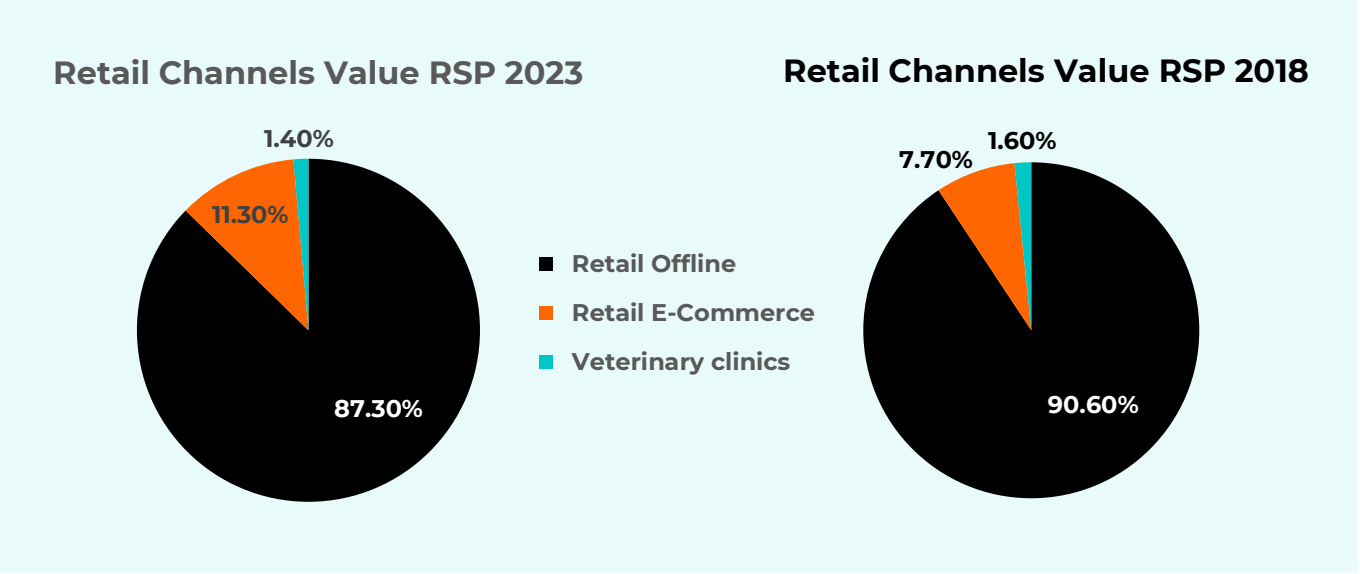
Online Sales are Currently a Small but Growing Part of the Canadian Market

Offline retail channels have a dominant share of trade but online is growing.

Retail e-commerce grew almost 50% between 2018 and 2023 and now accounts for for 11.3% of retail value sales.

Warehouse clubs and hypermarkets* also saw growth between 2018 and 2023 , against a backdrop of an overall decline in the offline segment's share

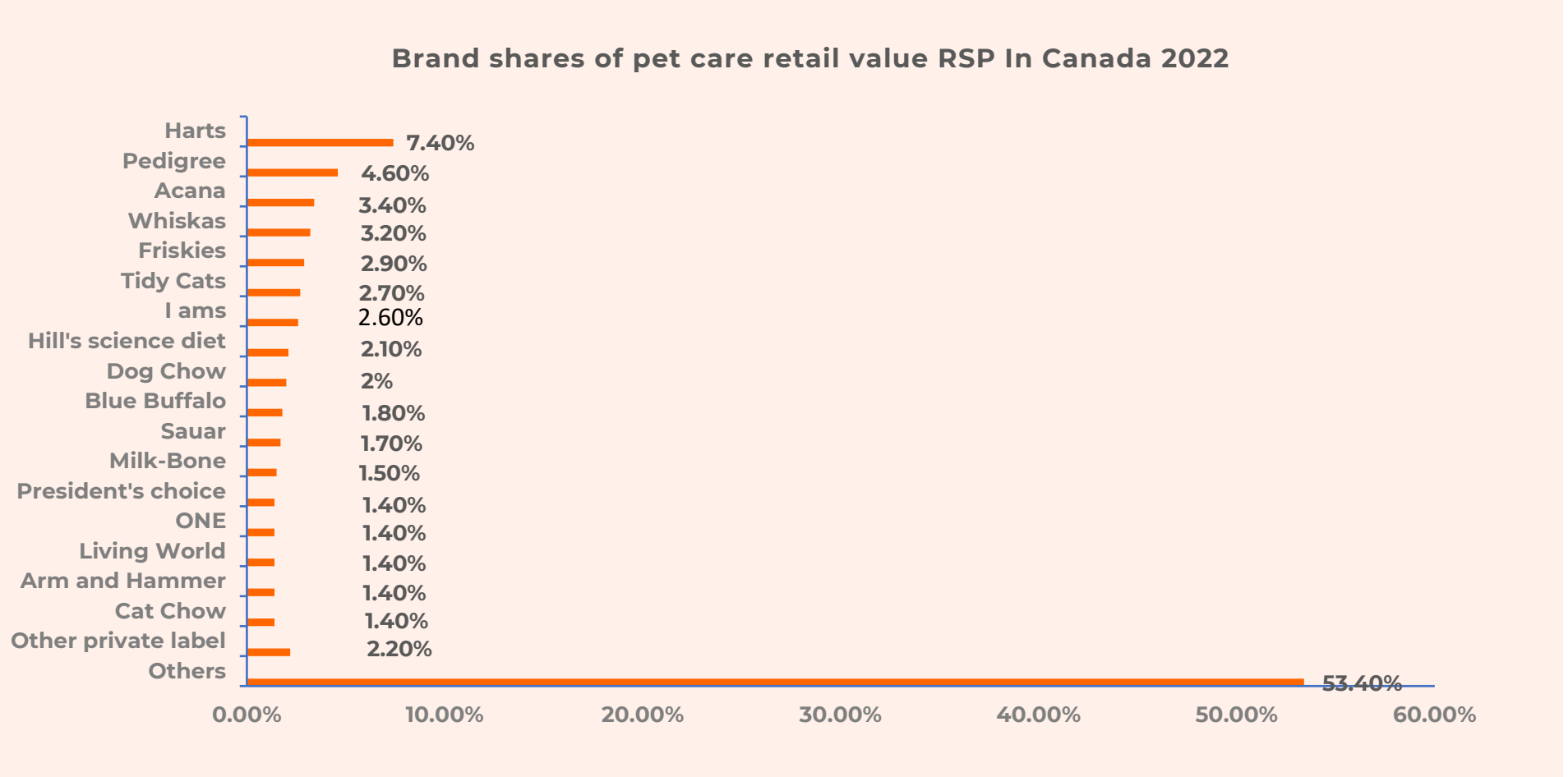
Convenience retail, small local grocers, and supermarkets all lost market share.



Note*: Hypermarkets are a combination of Supermarket and Department Store. They carry a very wide range of goods and are designed to enable customers to satisfy all their routine shopping needs in one trip.

Source: Euromonitor passport report for Pet Care in Canada, accessed August 2023.

No Pet Care Brand Dominates in Canada, the Market is Highly Fragmented. Harts and Pedigree lead.



Note: no brand in “others” has a share of 1.4% or greater

Source: Euromonitor passport report for Pet Care in Canada, accessed August 2023.

SECTION 6

PREMIUM INSIGHTS

Premium Insights & Trends

Category Growth

Consumer preference has continued to move to premium pet food because of the growing availability of information on pet nutrition information and the humanization of pets, expanding demand. Industry-wide premium revenue has been growing at a CAGR of 2.8% over the past five years and hit $13.6 billion in 2023, up 3.2% YoY.

Channel Trends

Within the premium and natural pet food segments brick & mortar specialty pet stores remain the largest sales channel, with PetSmart and Petco being the biggest players within it. For the super premium segment, independent pet stores are the largest sales channel and are more likely to carry niche and ultra premium products that cater to consumers who are proactively approach their pet's health and wellbeing.

- *"Pet parents look to specialty retailers to have very knowledgeable staff to assist in their purchasing decisions, like the right kind of food or treats to feed their pets,"* said Larissa Wasyliw, vice president, e-commerce and marketing, Ren's Pets, Guelph, Ontario. *"Compared to a mass retailer or grocery store, specialty and independent [retailers] tend to carry more premium pet food and treats from more prestigious brands. There are often higher quality ingredients in specialized formulas."*

While eCommerce still accounts for less sales than brick & mortar within the premium segment, it is growing at a faster rate (~20% YOY) with Amazon and Chewy being the largest players; combined they account for 70% of the pet e-commerce space, with Chewy in the lead at 36%.

Source: IBIS World

Premium Insights & Trends (cont.)

Importance of Omni-channel

In the wake of COVID-19, the pet retail environment has shifted dramatically in favor of convenience; in part due to the necessity of contactless delivery or pickup during the pandemic. Traditionally brick-and-mortar retailers such as those in the independent pet retail channel were forced to adapt — or die trying — to stay competitive in the aftermath.

Premiumization & Diets

As part of the growing premiumization trend, pet parents want foods, treats and supplements to be on par with human offerings. That means more pet owners are shopping for tailored solutions that will address their pet's individual needs and preferences. As part of the premiumization trend, an increased interest in functional and solution-based products have emerged. There has also been growing demand for fresh, frozen and raw diets, which speaks to pet owners' desires to present their pets with food that resembles their own.

In 2023, Natural and Grain-Free Pet food is still growing but is a smaller piece of the Pet Food pie. In the last 52 weeks, grain-free pet food saw 4.8% growth in dollar sales, compared to 18.7% growth in non-grain-free offerings.

Freeze Dried foods are outpacing the growth of all other forms of Dry pet food in specialty Pet Retail, growing ~20% YoY. However, the market size is only $291 million so the niche still has plenty of room to grow.

Source: NielsenIQ

SECTION 7

NEXT STEPS

Next Steps

Any NZ based business entering or growing in the US market should conduct a thorough market assessment covering at least the following:

- What are the total available and total addressable markets in the segment(s) of interest?
- Is there a relevant/differentiated position in the market that your product/service could potentially fill ?
- At what price point should you enter?
- What initial volume should you anticipate?
- What criteria do major retailers use to assess potential new suppliers, and what's the timing and nature of the selection process?

NZTE has a network of approved market research providers who can answer these and related questions. In the first instance, please contact your NZTE BDM or Customer Manager to discuss your needs.



NEW ZEALAND

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