Agriculture and Agri-Food Canada
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International Markets Bureau

MARKET INDICATOR REPORT | JULY 2011

Consumer Trends
Pet Food in Canada

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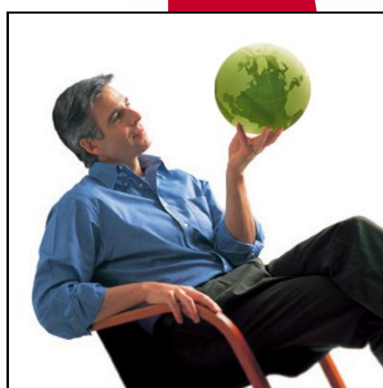

Growing Forward

Canada

EXECUTIVE SUMMARY

Differentiation and premiumization are driving growth in Canada's pet food market. The development of enhanced pet food products is creating greater segmentation with factors such as age, breed and health maintenance, as the focus in this market.

Pet humanization has evolved to the point where consumer preference for natural pet health products and nutritional ingredients is growing. Pet owners are looking for natural ingredients to ensure their pets stay healthy. They want to see ingredients that are recognizable, and that are similar to what they themselves are eating. The pet food industry has responded to pet owners through product expansions and selections, incorporating demands for natural, organic, eco-friendly, health and wellness, and new tastes and flavours.

It is estimated that 35% of Canadian households owned a cat in 2010, with an average of 1.8 cats per dwelling. Canadian cat food sales are expected to grow at a Cumulative Average Growth Rate (CAGR) of 3%, reaching CAD $738 million in 2015.

The dog population in Canada was just over five million in 2010, with 32.3% of Canadian homes owning a dog, down slightly from 35.1% in 2009. Over the next few years, dog food sales are projected to grow in constant value at a CAGR of 3%, to total CAD $1.1 billion in 2015.

Ongoing global economic uncertainty is having an impact on not only what pet owners purchase, but also where they shop. While pet specialist retailers—especially pet superstores—continue to help drive pet humanization, grocery retailers are receiving a boost in pet food sales as consumers become more price conscious.

Pet-related spending will continue to increase rapidly over the coming years, due in large part to the aging pet population, and owners seeking higher quality food for their pets. Furthermore, according to BMO Capital Markets' economic outlook (May 2010), real disposable income in Canada was expected to increase by 3% in 2010, and 2% in 2011. Discretionary spending is highly correlated to levels of disposable income and in the context of pet care, higher disposable income will lead to increases in pet-related spending.

New regulations on pet food imports from the United States (U.S.), which Canada introduced in 2009, have raised barriers to entry, and thus created new opportunities for the domestic pet food manufacturing industry.

INSIDE THIS ISSUE

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DID YOU KNOW?

- Pet humanization is driving pet food purchases.
- Canadian pet owners prefer to purchase pet food from grocery retailers.

CONSUMER TRENDS

- Friskies brand cat food is the most popular purchase among cat food buyers. The company offers a multi-flavour, gourmet variety-pack, enabling consumers to try flavours they might not have thought of purchasing. Del Monte has followed suit offering similar pack options for their Meow Mix brand, however, some other cat food manufacturers are instead attempting to attract customers through marketing and image upgrades for their products and brands.

- There has been a shift in sales from wet to dry cat food in recent years, and this movement is expected to continue. Canadian consumers' preference for dry cat food can be attributed to convenience in terms of storage, and the option to buy in bulk. They also feel that dry cat food is more sanitary because cats do not generally eat all of their food in one sitting.

- Dry food was the most popular choice amongst Canadian dog owners, with Mars Canada Inc.'s Pedigree brand garnering a 19% market share in 2009. In addition, the company's Pedigree brand of dog treats took top spot in terms of market share in 2009, at 20.2%.

- Subtle pet ownership changes are occurring in Canada. Numbers indicate that there was a decline in ownership of ornamental fish and a rise in the incidence of small reptiles being kept as pets, especially certain varieties of lizards such as geckos. These changes are a result of demographic and lifestyle changes. Reptiles require less maintenance and are well-suited to being kept in captivity, making them an ideal pet for urban settings.

RETAIL TRENDS

- Grocery retailers remain the largest distribution channel for commercial cat food. Cat food is less specialized, cheaper and offered in less bulky packaging which makes it easier to pick up while grocery shopping. To further boost cat food sales, grocers frequently offer in-store cat food promotions that are not normally available through specialty outlets.

- Canadian dog owners also preferred making pet food purchases through their grocery retail channel. As with cats, dog owners also resorted to bulk buying and taking advantage of the cheaper retail channel, giving grocery discounters 21% of dog food retail sales in 2009.

Source: *Mintel*

- Pet superstores and supermarkets/hypermarkets also saw increases in the value share of dog food sales, as they were able to offer in-store promotions and discounts, in addition to bulk purchasing and private label selections, including premium variations.

- The majority of products relating to other pets are only available through pet-specialist retailers, and are typically not widely advertised beyond store flyers and in-store promotion.

- Due to low levels of competition in the other pet food sold through pet-specialists and retailers, there is high mark-up of product. These higher prices exist to balance out the low volumes of other pet food sold in Canada. Compared to the range of dog and cat food found in grocery retailers, the selection of other pet food is far more limited. Grocers are reluctant to stock wide selections of other pet food due to its limited demand and low volume sales.

- Nestle SA's strategy of selling pet food through pet stores has made the company less susceptible to the price sensitivity usually associated with supermarkets, with the company reporting higher pricing each year for the past decade.

- Leaders in Canada's hypermarket and superstores are: Walmart, Loblaws (No Frills and Maxi), Metro (Super C and Food Basics), and Sobeys (Price Chopper).
- Top supermarket and neighbourhood store leaders are: Sobeys, Loblaws, Jim Pattison Group, and Metro.
- Discount store leaders are: Dollarama, Hudson's Bay Trading Company, Jim Pattison Group and Dollar Tree.
- Wholesale clubs leaders are Costco, followed by Loblaws.
- The leading pet superstores in Canada are PetValu and PETsMART.
- PetValu Inc., a pet-specialty retailer, has concentrated its stores in Ontario and Manitoba.

Canada - Dog and Cat Food Sales by Distribution Format: % Analysis 2010

	Cat Food	Dog Food
Grocery Retailers	72.8	67.9
Supermarkets/Hypermarkets	40.3	34.7
Discounters	21.1	20.8
Other Grocery Retailers	11.5	12.3
Non-Grocery Retailers	27.2	32.1
Pet superstores	15.2	16.1
Pet shops	6.5	7.5
Veterinary clinics	3.1	2.7
Other Non-Grocery Retailers	2.3	5.8
Total	100	100

***Source**: Euromonitor*

Canada - Penetration of Private Label in Pet Food by % 2005-2009

	2005	2006	2007	2008	2009
Pet Food	8.2	8.2	7.7	7.6	7.7

***Source:** Euromonitor International*

***Source:** Planet Retail*

INDUSTRY COMPETITION

- Pet food total imports into Canada reached CAD $708 million in value for 2010, a drop from CAD $749.9 million in 2008. However, imported pet food volume in 2010 increased by three million kilograms over 2009 figures. Unit pricing reflects the drop in sales, with a per kilogram value of CAD $1.75, a drop from CAD $1.87 in 2009.

- The majority of pet food imported into Canada comes from the United States, which supplies approximately 75% of Canada's pet food imports.

- The small size of the other pet food market, combined with distribution primarily through specialized retail, represents a certain barrier to entry and market development in the other pet food industry. None of the leading global pet food companies, which maintain a strong presence in dog and cat food, are present in other pet food. This trend shelters the players already involved in the category from further competition. This, combined with low levels of advertising, has led to a relatively stable status quo in terms of competitive positioning. Five manufacturers and private label players account for the majority of other pet food value sales in Canada.

Canada - Pet Food Import Statistics - CAD $

	2005	2006	2007	2008	2009	2010
World	538,236,339	580,383,455	620,033,387	720,937,642	749,845,998	708,139,016
United States	501,792,068	543,346,282	573,873,051	667,655,698	692,163,838	639,813,238
China	9,328,357	12,204,407	13,984,575	18,578,011	19,072,706	25,347,690
Thailand	407,456	297,376	3,494,560	3,889,661	5,832,334	7,622,833
France	7,551,311	6,534,203	6,269,187	6,112,696	8,155,110	6,999,535
Bulgaria	3,794,560	3,066,932	2,706,944	3,091,021	3,322,128	6,607,598
Malaysia	69,123	38,096	938,777	2,581,887	3,716,557	3,828,604
Germany	3,321,231	3,459,073	4,133,443	4,144,272	3,245,073	2,108,192
Indonesia	3,808	1,264	154,819	1,152,828	1,462,251	2,106,042
Belgium	921,129	819,755	1,352,949	1,743,224	1,491,113	1,851,424
Canada*	624,311	495,170	634,248	1,148,775	1,166,305	1,475,065

**Constitutes re-imports, or goods that have been exported abroad without having been materially altered, or substantially enhanced, before re-entering Canada.*

***Source:** Global Trade Atlas*

Canadian Global Import Statistics - Pet Food - Kilograms

2005	2006	2007	2008	2009	2010
395,807,456	402,201,774	467,517,562	430,916,755	401,218,581	404,812,580

***Source:** Euromonitor International*

MARKET DATA

- The overall cat population in Canada reached 8.4 million in 2010, remaining relatively stable since 2008. It is estimated that 35% of Canadian households owned a cat in 2010, with an average of 1.8 cats per dwelling. The average age of a family cat is 5.7 years. Seventy percent of the Canadian cat population is over the age of four, and one-fifth of that group are over the age of 10.

- The high number of cats in Canada can be attributed to the fact that cats are more adaptable to city life and apartment living, and the cost of ownership for cats is much lower than it is for dogs. Cats are also easier and cheaper to obtain, often being given away, compared to the more rigid screening and suitability assessments many dog owners are subjected to prior to ownership.

- Dry cat food will experience an increase of CAGR 4% in value, and will be mainly attributed to sales of premium dry cat food, which is forecast to see a CAGR of 6% in value and 5% in volume.

- Wet cat food sales will remain stable with a projected CAGR of 2% in value, coming from premium selections.

- The dog population in Canada was just over five million in 2010. The number of Canadian homes with a dog fell slightly to 32.3% in 2010, from 35.1% in 2009. A closer analysis shows multiple dogs are residing in fewer Canadian homes. The average age of the Canadian dog population is 5.9 years and rising, 63% are over the age of four, 33% are over eight and only 8% are aged under one year old. This age structure has implications for the industry, creating demand for food that can address the health concerns of senior dogs. In 2009, 33% of dry dog food and 30% of wet dog food consumed in Canada were targeted towards senior pets, a significant jump from the 18% recorded in both categories in 2008.

- Over the next few years, dog food sales are projected to grow in constant value at a CAGR of 3%, reaching CAD $1.1 billion in sales for 2015. While the dog food industry is mature, particularly mid-priced dog food, new sales are coming from premium dog food and dog treats.

- Pet nutrition is a high priority for many dog owners, and is fuelling the growth in the premiumization trend. As owners pay increased attention to what their dog is eating, manufacturers are increasingly offering products high in protein and low in by-product fillers and artificial additives.

- The other pet food sector is small relative to the dog and cat food sectors, and has fewer, generally specialized manufacturers, who tend to produce only other pet food products.

- In Canada, there were approximately 2.7 million birds, 8.3 million fish, 1.2 million small mammals, and 266,000 reptiles in 2010.

- The other pet food sector garnered a 1.7% increase in sales in 2009 over 2008 figures, and is projected to continue this trend in the near future. The value CAGR from 2005-2010 is 1.1%, while the volume CAGR from 2005 to 2010 was 9.5%. Interesting to note is the growing popularity of reptiles over fish, however, Canadian's love of more conventional pets will limit the other pet sector's overall growth in popularity.

- This rising pet population continues to contribute to an increase in the overall market for pet food, both in value and volume terms, although some categories such as bird and fish food, have been underperforming compared to products such as cat or dog food.

Canada - Pet Food Market - US Millions

	2005	2006	2007	2008	2009	2010
Cat Food	522	542.6	566.3	591.7	612.3	632.5
Dog Food	769.40	799.80	834.30	868.40	899.40	933.00
Other Pet Food	55.6	58.5	60.9	63.2	65.7	68.2
Pet Food Total	1,347	1,400.9	1,461.5	1,523.3	1,577.4	1,633.7

Source: *Euromonitor*

Canada - Pet Food Brand Shares (by Global Brand Owner) - Retail Value RSP - % Breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Pedigree	Mars Inc	11	11	11.2	11.2	10.8
Whiskas	Mars Inc	7.5	7.6	8	8.2	8.4
Friskies	Nestlé SA	6.6	6.8	7.1	7.6	7.5
Iams	Procter & Gamble Co, The	7.1	7.3	6.7	6.3	6.7
Dog Chow	Nestlé SA	4.7	4.7	4.7	4.8	4.7
Hill's Science Diet	Colgate-Palmolive Co	3.6	3.7	3.6	3.7	4
Cat Chow	Nestlé SA	3.8	3.7	3.8	3.9	3.9
Purina ONE	Nestlé SA	2.9	3	3.2	3.5	3.4
Beneful	Nestlé SA	2	2	2.3	2.5	2.4
Alpo	Nestlé SA	2.5	2.3	2.4	2.4	2.3
Kibbles 'n' Bits	Del Monte Foods Co	2.4	2.4	2.4	2.1	2
Nutro	Mars Inc	-	-	1.7	1.6	1.8
Pro Plan	Nestlé SA	1.4	1.4	1.6	1.7	1.7
Milk-Bone	Del Monte Foods Co	-	1.3	1.3	1.3	1.5
Pup-Peroni	Del Monte Foods Co	1.1	1.1	1.1	1.2	1.3
Meaty Bone	Del Monte Foods Co	1.4	1.4	1.3	1.3	1.3
Eukanuba	Procter & Gamble Co, The	1.4	1.4	1.2	1.2	1.2
Fancy Feast	Nestlé SA	0.9	0.9	1	1	1
Snausages	Del Monte Foods Co	0.8	0.9	0.9	1	1
Tetra	Spectrum Brands Inc	0.8	0.9	0.9	0.9	0.9
Meow Mix	Del Monte Foods Co	-	1	0.9	0.9	0.9
Jerky Treats	Del Monte Foods Co	0.8	0.8	0.8	0.8	0.8
Living World	Rolf C Hagen Inc	0.5	0.5	0.5	0.5	0.6
Nutrafin	Rolf C Hagen Inc	0.5	0.5	0.5	0.5	0.5
Cesar	Mars Inc	0.4	0.4	0.5	0.5	0.5
Hartz	Hartz Mountain Corp	0.5	0.5	0.5	0.5	0.5
9 Lives	Del Monte Foods Co	0.7	0.6	0.5	0.5	0.5
Pounce	Del Monte Foods Co	0.6	0.5	0.5	0.4	0.5
KayTee	Central Garden & Pet Co	0.4	0.4	0.4	0.4	0.4
Beggin' Strips	Nestlé SA	0.3	0.3	0.3	0.3	0.3
Techni-Cal	Mars Inc	0.3	0.3	0.2	0.2	0.2
T Bonz	Nestlé SA	0.2	0.2	0.2	0.2	0.2
Sun Seed	Vitakraft Sun Seed Inc	-	-	-	-	0.2
Sheba	Mars Inc	0.5	0.5	0.6	0.6	0.2
Wardley	Hartz Mountain Corp	0.2	0.2	0.2	0.2	0.2
8 in 1	Spectrum Brands Inc	0.2	0.1	0.1	0.2	0.2
Whisker Lickin's	Nestlé SA	0.2	0.1	0.1	0	0
Private label	Private Label	8.2	8.2	7.7	7.6	7.7
Others	Others	18.7	18.7	18.6	18.3	17

Source: *Euromonitor International*

REGULATIONS AND LABELLING

- Pet food sold in Canada is currently subject to the following Canadian and international regulations:
  - The Government of Canada's enhanced animal health safeguards, implemented in July 2007, make it illegal for specified risk materials to be fed to any animal, including dogs and cats.
  - In July of 2009, Canada introduced new regulations regarding the importation of commercial pet food from the United States. Under the new regulations, importers must apply for and present a valid import permit from the Canadian Food Inspection Agency in order to transport commercial pet food across the border. Crucial for pet food players in Canada, the importer bears the responsibility of applying for and obtaining the permit on time.

- The labelling and advertising of pet food is regulated by the *Consumer Packaging and Labelling Act* and the *Competition Act*, administered by Industry Canada. The Advertising and Labelling of Pet Food is a voluntary guide developed to ensure consistency and accuracy on pet food labels. These guidelines also help ensure that Canadian consumers clearly understand the contents of each package of pet food. They were developed by a working group including Canadian pet food manufacturers and importers, representatives from the Competition Bureau and the Government of Canada, as well as consumers.

- The *Consumer Packaging and Labelling Act* mandates the following items be included on pet food labels:
  - Common or generic name: e.g. "Dog Food" or "Cat Food."
  - Net weight: amount of product within the package, measured in metric units.
  - The manufacturer's or importer's contact information.

- The Advertising and Labelling of Pet Food, an accepted standard in the pet food industry, recommends that pet food labels contain at least the following information in addition to the Consumer Packaging and Labelling Act items:
  - Ingredients must be listed and identified by their common name. When an ingredient or combination of ingredients makes up 90% or more of the total weight of all ingredients, these ingredients may also form a part of the product name. For example, if the product contains 90% or more beef, it may be called "My Brand Beef Dog Food".
  - Feeding instructions.
  - Guaranteed analysis: information on the minimum and maximum nutritional quantities. For example, the analysis will include the maximum or minimum percentage of protein, fat, fibre and moisture.
  - Nutritional adequacy or intended life stage for which the food is suitable.

PRODUCT DEVELOPMENTS

- PETsMART will be selling holistic pet food under the Innova brand commencing May 2011. The range will be produced by the Natura Pet Products line, and was previously only available at independent pet specialty retailers. The chain has reported that a significant portion of their sales come from premium pet food for dogs and cats.

- Purina states that their most exciting launch in the past year was their Beyond product, which includes packaging in bags made from 90% renewable material that are printed with soy-based inks. Also, the brand is produced at a Nestlé Purina plant in Denver, Colorado, U.S. that's partially run on solar power.

- Canada's WellPet company released Original Adult Natural Dog Food under the Eagle Pack brand. Eagle Pack Original Adult Natural Dog Food has been reformulated and now contains glucosamine. It has also been repackaged and is available in a 6-lb pack featuring a new look.

- In Canada, Holistic Blend released Chicken Rice and Vegetable Dog Food under its name brand. Holistic Blend Chicken Rice and Vegetable Dog Food is suitable for all life stages, and is made with free range chicken, chelated minerals, antioxidants, herbs, whole grains, and fruit.

- Private label pet food is making progress in the industry by replicating the strategies of the larger companies' branded products. Their focus is on food formulations and upgraded packaging, enabling them to better compete against mid-priced, rather than economy, pet food.

- The aging pet population, which constitutes the majority of pets owned in Canada, is fuelling the growth of pet food products developed to address their special dietary requirements. Products developed to help alleviate hip and joint, and digestive problems are hitting the shelves in growing numbers. As an example, Pedigree's line of treats, Good Bites, offers multi-vitamin and hip-and-joint treats. The Hill's Science Diet brand now offers treats with labels such as immunity support, mobility and light.

- There were 138 new pet food products launched in Canada in 2010. "Functional," "natural" and "plus" food categories saw the most activity, claiming the majority of new product launches in 2010. The favoured package used by manufacturers for the majority of both dog and cat food, was bags in a wide range of sizes.

Canada - New Product Releases - Pet Food Sector - 2010

Food Type	Functional	Natural	Plus	Ethical & Environmental	Suitable for	Positioning	Minus	Convenience	Functional
Dog Snacks & Treats	24	28	15	15	19	6	17	21	7
Dog Food Dry	39	29	33	12	9	9	5	1	5
Dog Food Wet	1	11	8	10	2	6	0	0	0
Cat Food Dry	15	7	12	0	3	5	3	0	3
Cat Food Wet	2	0	4	5	0	2	0	1	0
Cat Snacks & Treats	0	1	1	1	0	2	1	1	0
Total	81	76	73	43	33	30	26	24	15

Source: *Mintel*

Canada - Dog food New Product Launches - by Claim and Category—2010

Sub-Category	Claim Category	Package Type	Pack Size	Number
Dry Food	Convenience	Stand-up pouch	4000 g	1
	Ethical & Environmental	Bag	2700 g - 3630 g	11
	Functional	Bag	1600g - 4000 g	27
	Functional	Flexible	2270 g - 2721 g	2
	Functional	Stand-up pouch	2700 g - 4000 g	4
	Minus	Bag/stand-up pouch	2720 g - 3630 g	5
	Natural	Bag	1600 g - 3630 g	27
	Natural	Flexible/Stand-up pouch	2270 g - 4000 g	7
	Plus	Bag	2000 g - 3000 g	18
	Plus	Flexible/Stand-up pouch	2270 g -4000 g	4
Wet Food	Ethical & Environmental	Can/Tub	283 g - 624 g	10
	Functional	Can	374 g	1
	Natural	Can	374 g - 624 g	11
	Plus	Can	369 g	8

***Source:** Mintel*

Canada - Cat food New Product Launches Breakdown –by Claim and Category— 2010

Sub-Category	Claim Category	Package Type	Pack Size	Number
Dry food	Functional	Bag	2000 g - 1500 g	12
	Natural	Bag	1500 g - 2490 g	7
	Plus	Bag	1500 g - 2490 g	12
Wet Food	Convenient	Tray	100 g	1
	Ethical & Environmental	Can	85 g	1
	Functional	Can/tray	85 g - 100 g	2
	Plus	Can/tub	85 g - 156 g	4

***Source:** Mintel*

Premium Dog Food

Adult Natural Dog Food

Premium Dry Cat Food

***Source**: Mintel*

DOG FOOD

- As of 2010, 32.3% of Canadian households owned a dog, a slight dip in numbers from 35.1% in 2009. The dog population has remained relatively stable, reaching just over five million in 2010.
- Unit prices will continue to rise, reflected in the gap between value and volume sales.
- Dog treats and mixers, with an estimated CAGR of 14.8% from 2005 to 2010, had the greatest *volume growth* in Canada's dog food/treat industry. Following closely behind was dry dog food with a CAGR of 11.3% over the same time frame. To a lesser extent, wet dog food also experienced growth, with a CAGR estimate of 2% from 2005-2010.
- When taking a look at *value growth* percentages between 2005 to 2010, we see a CAGR of 26.3% for dog treats/ mixers, followed by 21.4% for dry dog food, and a CAGR of 12.8% for wet dog food.
- Canadian dog owners who purchased premium dog food, overwhelmingly chose dry over wet food in 2010, with sales reaching CAD $160 million.

Canada - Dog Food by Price Band 2009

Category		Price range per kg $CAD
Wet dog food	Premium	Above $5.00
	Standard	$2.50-$5.00
	Economy	Below $2.50
Dry dog food	Premium	Above $3.50
	Standard	$1.75-$3.50
	Economy	Below $1.75

Source: *Euromonitor International*

Canada - Sales of Dog Food by Type: Volume tonnes—2005-2010

tonnes	2005	2006	2007	2008	2009	2010
Dog Treats and Mixers	10,490.30	10,695.40	11,072.60	11,452.40	11,738.80	12,044.20
Dry Dog Food	230,360.60	238,128.90	242,087.50	246,057.50	250,843.20	256,340.30
Wet Dog Food	32,931.80	33,215.90	32,909.90	32,902.10	33,238.50	33,574.50
Dog Food	**273,782.80**	**282,040.20**	**286,069.90**	**290,412.10**	**295,820.60**	**301,959.00**

Source: *Euromonitor International estimates*

Canada - Sales of Dog Food by Type: Value 2005-2010 CAD$ millions

CAD$ millions	2005	2006	2007	2008	2009	2010
Dog Treats and Mixers	167.20	173.70	184.10	194.40	202.20	211.10
Dry Dog Food	495.50	516.80	538.60	559.30	579.70	601.50
Wet Dog Food	106.80	109.30	111.60	114.70	117.50	120.40
Dog Food	**769.40**	**799.80**	**834.30**	**868.40**	**899.40**	**933.00**

Source: *Euromonitor International estimates*

Canada - Sales of Dog Food by Type: % Volume Growth 2005-2010

% volume growth	2009/10	2005-10 CAGR	2005/10 TOTAL
Dog Treats and Mixers	2.6	2.8	14.8
Dry Dog Food	2.2	2.2	11.3
Wet Dog Food	1	0.4	2
Dog Food	**2.1**	**2**	**10.3**

Source: *Euromonitor International estimates*

Canada - Sales of Dog Food by Type: % Value Growth 2005-2010

% current value growth	2009/10	2005-10 CAGR	2005/10 TOTAL
Dog Treats and Mixers	4.4	4.8	26.3
Dry Dog Food	3.8	4	21.4
Wet Dog Food	2.5	2.4	12.8
Dog Food	**3.7**	**3.9**	**21.3**

Source: *Euromonitor International estimates*

Canada - Sales of Premium Dog Food: Value 2005-2010 - CAD $ million

Item	2005	2006	2007	2008	2009	2010
Premium Dry Dog Food	118.9	126.6	134.8	143	151.5	160.3
Premium Wet Dog Food	24.8	26.5	28	29.8	31.3	33
Premium Dog Food	143.7	153.1	162.8	172.8	182.7	193.3

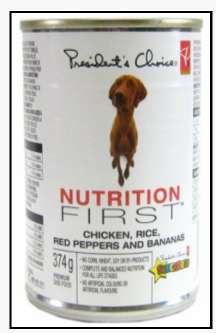
Source: *Euromonitor International estimates*

Dog Food Competitors

- Multinational players Nestlé Purina Petcare Co., Mars Canada Inc., Del Monte Foods Co. and Proctor and Gamble Inc. together accounted for 75% of all dog food sales in Canada in 2009.

- Within the premium dry dog food sub-category, niche super-premium brands like Champion Pet Foods' Orijen, are thriving. In the mid-priced dry dog food category, Nestle Purina Petcare Co. is the leader. Mars Canada Inc. led in the wet dog food category in 2009.

- While dry dog food garners a large share of dog food sales, there is an interesting situation developing in the premium wet dog food category. For years, Caesar wet dog food was relatively unchallenged, however, Loblaws recently entered the market with a private label line similar to Caesar. Both products are sold in convenient single serving containers, aimed at small dogs. Also, Nestlé Purina has developed a human-style premium dog food under its Purina Beneful brand (WagWorld Adventure), that is not limited to small dogs. The popularity of these 'prepared meals' has the potential to revitalize wet dog food.



Source: *Mintel*

Canada - Dog Food Brand Shares 2006-2009 % Sales

Brand	Company	2006	2007	2008	2009
Pedigree	Mars Canada Inc	-	19.6	19.7	19
Dog Chow	Nestlé Purina PetCare Co	8.3	8.3	8.4	8.3
Iams	Procter & Gamble Inc	6.9	6.4	6.1	6.2
Purina ONE	Nestlé Purina PetCare Co	4.2	4.6	5	4.9
Beneful	Nestlé Purina PetCare Co	3.6	4.1	4.3	4.3
Alpo	Nestlé Purina PetCare Co	4.1	4.1	4.1	4.1
Hill's Science Diet	Hill's Pet Nutrition Canada Inc	3.6	3.5	3.6	3.7
Kibbles 'n' Bits	Del Monte Foods Co	4.2	4.1	3.7	3.4
Pro Plan	Nestlé Purina PetCare Co	2.4	2.8	2.9	2.9
Milk-Bone	Del Monte Foods Co	2.4	2.3	2.3	2.6
Pup-Peroni	Del Monte Foods Co	1.9	2	2	2.4
Meaty Bone	Del Monte Foods Co	2.5	2.3	2.3	2.3
President's Choice	Loblaws Co Ltd	2.4	2.2	2.2	2.2
Snausages	Del Monte Foods Co	1.5	1.6	1.7	1.8
Eukanuba	Procter & Gamble Inc	1.8	1.6	1.6	1.6
Nutro	Nutro Products Inc	1.5	1.4	1.4	1.4
Jerky Treats	Del Monte Foods Co	1.3	1.3	1.3	1.3
Compliments	Sobeys Inc	1.4	1.3	1.3	1.3
Ol' Roy	Wal-Mart Canada Inc	1.3	1.2	1.2	1.3
Other Private Label	Other Private Label	0.7	0.8	0.7	0.6
Others	Others	22.4	21.8	21.5	21.8

Source: *Euromonitor International estimates*

Canada - Dog Treats Brand Shares 2006-2009 % Sales

Brand	Company	2006	2007	2008	2009
Pedigree	Mars Canada Inc	-	20.3	20.1	20.2
Milk-Bone	Del Monte Foods Co	10.9	10.3	10.3	11.6
Pup-Peroni	Del Monte Foods Co	8.6	9	9.1	10.5
Meaty Bone	Del Monte Foods Co	11.4	10.7	10.4	10.4
Snausages	Del Monte Foods Co	7	7.4	7.6	7.8
Jerky Treats	Del Monte Foods Co	6.2	6.1	6	5.9
President's Choice	Loblaws Co Ltd	2.8	2.9	3.1	3.3
Beggin' Strips	Nestlé Purina PetCare Co	2.2	2.4	2.5	2.5
Ol' Roy	Wal-Mart Canada Inc	1.7	1.8	1.8	2
Compliments	Sobeys Inc	1.8	1.8	1.8	1.8
T-Bonz	Nestlé Purina PetCare Co	1.6	1.6	1.6	1.5
Grreat Choice	PetSmart Canada Inc	0.6	0.7	0.7	0.9
Alpo	Nestlé Purina PetCare Co	0.8	0.7	0.8	0.7
Iams	Procter & Gamble Inc	0.8	0.7	0.7	0.6
Pedigree	Effem Foods Inc	19.7	-	-	-
Other Private Label	Other Private Label	1	1	1	0.9
Others	Others	22.9	22.6	22.6	19.2

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Dog Food by Type: Volume 2011-2015

tonnes	2011	2012	2013	2014	2015
Dog Treats and Mixers	12,405.40	12,789.70	13,147.60	13,476.10	13,759.10
Dry Dog Food	262,012.50	267,471.20	272,712.60	277,679.00	282,068.90
Wet Dog Food	33,867.70	34,133.70	34,363.70	34,549.90	34,680.50
Dog Food	**308,285.50**	**314,394.60**	**320,223.90**	**325,705.00**	**330,508.40**

***Source**: Euromonitor International estimates*

Canada - Forecast Sales of Dog Food by Type: Value 2011-2015

CAD $ million	2011	2012	2013	2014	2015
Dog Treats and Mixers	218.9	227.4	234.5	241.5	247.5
Dry Dog Food	621	641.8	664.2	686.2	706.9
Wet Dog Food	122.9	125.6	128.8	131.9	134.7
Dog Food	**962.7**	**994.9**	**1,027.40**	**1,059.50**	**1,089.10**

***Source**: Euromonitor International estimates*

Canada - Forecast Sales of Dog Food by Type: % Volume Growth 2010-2015

% volume growth	2010-15 CAGR	2010/15 TOTAL
Dog Treats and Mixers	2.7	14.2
Dry Dog Food	1.9	10
Wet Dog Food	0.7	3.3
Dog Food	**1.8**	**9.5**

***Source**: Euromonitor International estimates*

Canada - Forecast Sales of Dog Food by Type: % Value Growth 2010-2015

% constant value growth	2010/15 TOTAL
Dog Treats and Mixers	17.3
Dry Dog Food	17.5
Wet Dog Food	11.8
Dog Food	**16.7**

***Source**: Euromonitor International estimates*

***Source:** Mintel*

CAT FOOD

- Canadian cat food sales increased by 4.5% in value during 2010, rising to CAD $632 million, while volume grew by 2%, reaching 152,864,000 tonnes.

- Dry cat food sales showed the most growth in 2009 at 5%.

- Cat food is projected to increase at a CAGR of 3.1% over the forecast period to reach CAD $ 737 million in 2015.

- Sales of both wet and dry premium cat food are relatively the same when comparing price per kilogram.

- Cat food sales have been relatively unaffected by external pressure from the economy or consumers. The general nature of cats' dietary needs consists mainly of high protein content. Varieties of cat food, including private label, offer wet cat food in many flavours. Segmentation by breed size does not exist in cat food, however there are variants for kittens, adults and seniors, as well as formulations that target specific cat ailments, such as hair-ball control and weight management. The cat food industry is fairly mature with limited opportunities for expansion, and is expected to experience minimal growth in the coming years.

- New import regulations for bovine products from the U.S. since mid-2009 have not had a significant impact on the cat food industry, other than smaller manufacturers opting to not source bovine-based pet food from the United States.

Canada- Sales of Cat Food by Type: Value 2005-2010

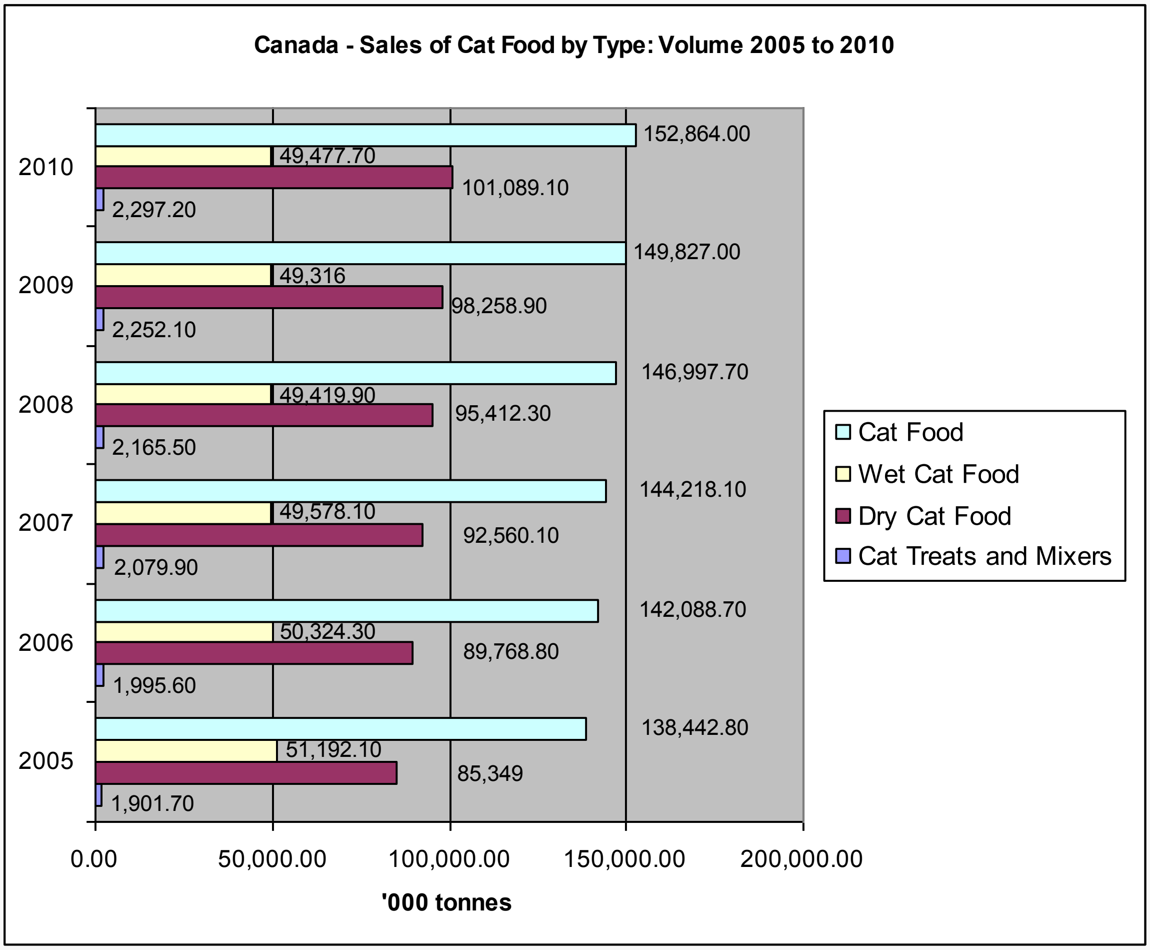
CAD $ million	2005	2006	2007	2008	2009	2010
Cat Treats and Mixers	45.5	48.7	52	55.2	58	59.8
Dry Cat Food	278.7	296.7	314.5	332.3	346.8	361.8
Wet Cat Food	197.9	197.1	199.9	204.2	207.5	211
Total Cat Food	**522**	**542.6**	**566.3**	**591.7**	**612.3**	**632.5**

Source: *Euromonitor International estimates*

Canada - Cat Food by Price Band 2009—CAD $

Sector		Price range per kg
Wet Cat Food	Premium	Above $5.00
	Standard	$3.55-$5.00
	Economy	Below $3.55
Dry Cat Food	Premium	Above $5.00
	Standard	$2.75-$5.50
	Economy	Below $2.75

Source: *Euromonitor International*



Source: *Euromonitor International*

Canada - Sales of Cat Food by Type: % Volume Growth 2005-2010

% volume growth	2009/10	2005-10 CAGR	2005/10 TOTAL
Cat Treats and Mixers	2	3.9	20.8
Dry Cat Food	2.9	3.4	18.4
Wet Cat Food	0.3	-0.7	-3.3
Cat Food	**2**	**2**	**10.4**

Source: *Euromonitor International estimates*

Canada - Sales of Cat Food by Type: % Value Growth 2005-2010

% current value growth	2009/10	2005-10 CAGR	2005/10 TOTAL
Cat Treats and Mixers	3	5.6	31.4
Dry Cat Food	4.3	5.4	29.8
Wet Cat Food	1.7	1.3	6.6
Cat Food	**3.3**	**3.9**	**21.2**

Source: *Euromonitor International estimates*

Cat Food Competitors

- Nestlé Purina Petcare Co. and Mars Canada Inc. together accounted for 58% of all cat food sales during 2009.
- In 2009, Nestlé Purina Petcare Co. remained the feline nutrition company with the highest sales in Canada, for both wet and dry food, with a market share of 36%. Keeping their products in the mid-price range is a key factor for their success.
- Mars Canada Inc. is known for its Whiskas brand of cat food, which is available in both dry and wet forms. Other cat food brands in their line are targeted to address the various health and wellness issues important to both cats and their owners.

Canada - Cat Food Brand Shares 2006-2009

% retail value rsp	Company	2006	2007	2008	2009
Whiskas	Mars Canada Inc	-	20.8	21.1	21.6
Friskies	Nestlé Purina PetCare Co	17.6	18.3	19.5	19.3
Cat Chow	Nestlé Purina PetCare Co	9.6	9.9	10.1	10.1
Iams	Procter & Gamble Inc	8.7	7.8	7.4	8.1
Hill's Science Diet	Hill's Pet Nutrition Canada Inc	4.4	4.1	4.2	4.9
President's Choice	Loblaws Co Ltd	3.3	3.1	3	3
Fancy Feast	Nestlé Purina PetCare Co	2.4	2.5	2.6	2.7
Nutro	Nutro Products Inc	2.4	2.3	2.1	2.5
Compliments	Sobeys Inc	2.6	2.4	2.4	2.4
Meow Mix	Del Monte Foods Co	2.5	2.4	2.3	2.3
Purina ONE	Nestlé Purina PetCare Co	1.4	1.5	1.6	1.7
Special Kitty	Wal-Mart Canada Inc	1.4	1.3	1.3	1.4
9 Lives	Del Monte Foods Co	1.5	1.4	1.2	1.2
Pounce	Del Monte Foods Co	1.2	1.2	1.1	1.2
No Name	Loblaws Co. Ltd	1	0.9	0.8	0.8
Eukanuba	Procter & Gamble Inc	0.9	0.8	0.8	0.8
President's Choice Gourmet	Loblaws Co Ltd	0.7	0.7	0.7	0.7
Sheba	Mars Canada Inc	-	1.4	1.5	0.4
Special Kitty Select	Wal-Mart Canada Inc	0.3	0.3	0.3	0.4
SophistaCat	PetSmart Canada Inc	0.2	0.2	0.2	0.2
Techni-Cal	Royal Canin Canada	0.2	0.2	0.2	0.1
Whisker Lickin's	Nestlé Purina PetCare Co	0.3	0.1	0.1	0.1
Other Private Label	Other Private Label	0.6	0.6	0.5	0.4
Others	Others	14.4	15.3	15	13.7

Source: *Euromonitor International estimates*

Canada - Cat Treat Brand Shares 2006-2009

% retail value rsp	Company	2006	2007	2008	2009
Temptations	Mars Canada Inc	-	72	72.2	72.3
Pounce	Del Monte Foods Co	13.7	12.8	12	12.3
Meow Mix Treat	Del Monte Foods Co	4.4	2.5	1.6	1.6
President's Choice	Loblaws Cos Ltd	1.1	1.1	1.1	1.3
Special Kitty	Wal-Mart Canada Inc	1	1	1	1
Whisker Lickin's	Nestlé Purina PetCare Co	3.8	1.6	0.9	0.9
9 Lives Cat Nippers	Del Monte Foods Co	2.7	1.5	0.6	0.6

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Cat Food by Type: % Volume Growth 2010-2015

% volume growth	2014/15	2010-15 CAGR	2010/15 TOTAL
Cat Treats and Mixers	3.1	2.2	11.3
Dry Cat Food	2.9	3.1	16.6
Wet Cat Food	0.3	0.5	2.6
Cat Food	**2.2**	**2.3**	**12**

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Cat Food by Type: Volume 2010-2015

'000 tonnes	2010	2011	2012	2013	2014	2015
Cat Treats and Mixers	2,297.20	2,331.60	2,371.20	2,416.30	2,479.10	2,556
Dry Cat Food	101,089.10	104,239.40	107,631.20	110,971.10	114,509.10	117,878.80
Wet Cat Food	49,477.70	49,769.80	50,090.80	50,369.10	50,610.10	50,779.90
Cat Food	**152,863.90**	**156,340.80**	**160,093.20**	**163,756.50**	**167,598.30**	**171,214.70**

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Cat Food by Type: % Value Growth 2010-2015

% constant value growth	2010-15 CAGR	2010/15 TOTAL
Cat Treats and Mixers	2.7	14.2
Dry Cat Food	4	21.8
Wet Cat Food	1.6	8.4
Cat Food	**3.1**	**16.6**

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Cat Food by Type: Value 2010-2015

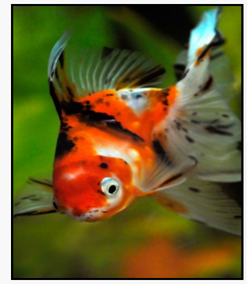
CAD$ million	2010	2011	2012	2013	2014	2015
Cat Treats and Mixers	59.8	60.6	61.6	62.9	65.4	68.3
Dry Cat Food	361.8	377.1	392.8	408.8	424.7	440.6
Wet Cat Food	211	214	217.7	221.7	225.3	228.60
Cat Food	**632.50**	**651.70**	**672.10**	**693.40**	**715.50**	**737.50**

Source: *Euromonitor International estimates*

"OTHER" PET FOOD

- Non-conventional pet ownership is rare in Canada so growth is more subtle, with the other pet sector displaying little change in ownership trends over the years. Fish were overwhelmingly the most popular other pet choice for Canadians in 2010; further sector breakdown shows that birds continue to be favoured over small mammals, and reptiles are owned by a small portion of the population.

- The Canadian other pet food sector remained small, accounting for 4% of total pet food value in 2009.



- When taking a look at other pet food volume sales, bird feed reached 2,766 tonnes in 2010, up from 2,727 tonnes in 2009, making it the category with the highest consumption. However, due to the widely varied density composition of the pet foods found in the other pet food category, the discrepancy in tonnage amongst these categories may be less relevant than in the cat or dog food sectors.

- Bird, small mammals and reptiles, and fish food come in a wide selection of type and packaging that caters to different breeds and different tastes.

Canada - Other Pet Population 2005-2010 - '000s of animals

	2005	2006	2007	2008	2009	2010
Bird Population	2,538.00	2,618.00	2,653.10	2,688.40	2,688.00	2,687.00
Fish Population	7,842.00	7,913.00	8,113.40	8,316.70	8,316.00	8,315.00
Small Mammal Population	1,186.00	1,203.00	1,208.20	1,213.30	1,214.00	1,214.50
Reptile Population	223	237	251	265	265.1	266

Source: *Euromonitor International estimates*

Canada - Sales of Other Pet Food by Type: Volume 2005-2010

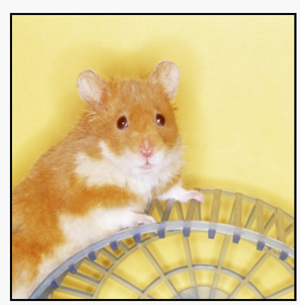
tonnes	2005	2006	2007	2008	2009	2010
Bird Food	2,495.20	2,623.30	2,658.40	2,695.20	2,727.80	2,766.00
Fish Food	195.90	199.10	204.10	209.00	214.60	219.60
Small Mammal/ Reptile Food	1,594.70	1,609.10	1,631.10	1,651.80	1,674.30	1,708.20
Other Pet Food	**4,285.80**	**4,431.50**	**4,493.70**	**4,556.10**	**4,616.70**	**4,693.80**

Source: *Euromonitor International estimates*

Canada - Sales of Other Pet Food by Type: % Volume Growth 2005-2010

	2009/10	2005-10 CAGR	2005/10 TOTAL
Bird Food	1.4	2.1	10.9
Fish Food	2.3	2.3	12.1
Small Mammal/ Reptile Food	2	1.4	7.1
Other Pet Food	**1.7**	**1.8**	**9.5**

Source: *Euromonitor International estimates*



Canada—Sales of Other Pet Food by Type: CAD $ - Value 2005-2010

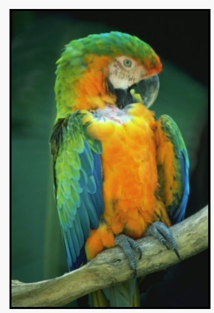
	2005	2006	2007	2008	2009	2010
Bird Food	25.1	26.5	27.4	28.3	29.3	30.3
Fish Food	23.5	24.6	25.8	27	28.2	29.4
Small Mammal/Reptile Food	7	7.4	7.6	7.9	8.2	8.5
Other Pet Food	**55.6**	**58.5**	**60.9**	**63.2**	**65.7**	**68.2**

Source: *Euromonitor International estimates*

Canada - Sales of Other Pet Food by Type: % Value Growth 2005-2010

	2009/10	2005-10 CAGR	2005/10 TOTAL
Bird Food	3.4	3.9	21
Fish Food	4.2	4.5	24.8
Small Mammal/ Reptile Food	3.7	3.8	20.4
Other Pet Food	**3.8**	**4.1**	**22.5**

Source: *Euromonitor International estimates*



"Other" Pet Food Competitors

- Rolf C. Hagen Inc., leads other pet food in Canada, accounting for 28% of value sales in 2009, a slight increase from 2008. This company is strong in bird food and small mammal/reptile food.
- Spectrum Brands Inc. takes second position with 26% of retail sales in 2009. The majority of its sales are from fish food, where its brand Tetra accounts for 50% of value sales.
- Rounding out the top three competitors in the other pet food sector is Hartz Canada, with a 16% value share in 2009.
- Private label constituted 14% of other pet food value in 2009. Private label in other pet food is different from the private label lines of major chained grocery retailers found in dog and cat food. Private label in the context of other pet food refers to products marketed mainly by pet-specialist retailers.

Canada - Bird Food Brand Shares 2006-2009

% retail value rsp	Company	2006	2007	2008	2009
Living World	Rolf C Hagen Inc	22.1	23.7	23.9	24.2
Hartz	Hartz Canada Inc	22	21.5	21.9	22
KayTee	KayTee Products Inc	15	15.9	15.3	15.4
Sun Seed	Sun Seed Co Inc	8.5	9	8.4	8.3
8 in 1	Spectrum Brands Inc	7.1	7.2	7.9	7.6
Private label	Private Label	20.9	21.5	21.6	21.6
Others	Others	4.4	1.2	1	0.9

Source: *Euromonitor International estimates*

Canada - Fish Food Brand Shares 2006-2009

% retail value rsp	Company	2006	2007	2008	2009
Tetra	Spectrum Brands Inc	47.1	49.5	49.9	50
Nutrafin	Rolf C Hagen Inc	30	28.5	28.3	30
Wardley	Hartz Canada Inc	9.7	9.4	9.4	9.3
Tetra	Tetra Werke GmbH	-	-	-	-
Private label	Private Label	7.4	7	6.9	6.6
Others	Others	5.8	5.6	5.6	4.1

Source: *Euromonitor International estimates*

Canada - Small Mammal/Reptile Food Brand Shares 2006-2009

% retail value rsp	Company	2006	2007	2008	2009
Living World	Rolf C Hagen Inc	18.5	19.9	20	20.1
Hartz	Hartz Canada Inc	16	16.5	16.6	16.8
KayTee	KayTee Products Inc	13.3	13.5	12.9	12.9
Exo-Terra	Rolf C Hagen Inc	7.8	8.5	8.6	8.4
Habitrail	Rolf C Hagen Inc	6.9	6.9	6.9	6.8
Sun Seed	Sun Seed Co Inc	6.3	6.8	6.8	6.8
Tetra	Spectrum Brands Inc	5.5	5.9	6.5	6.5
8 in 1	Spectrum Brands Inc	2.8	2.8	3.1	3.2
Private label	Private Label	14.8	14.8	14.6	14.5
Others	Others	8.1	4.5	4.1	3.9

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Other Pet Food by Type: Volume 2011-2015

tonnes	2011	2012	2013	2014	2015
Bird Food	2,799.20	2,830.00	2,858.30	2,884.30	2,904.50
Fish Food	224.50	228.50	232.00	234.50	236.90
Small Mammal/Reptile Food	1,745.80	1,785.20	1,829.80	1,876.60	1,914.60
Other Pet Food	**4,769.50**	**4,843.70**	**4,920.10**	**4,995.40**	**5,056.00**

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Other Pet Food by Type: Value 2011-2015

CAD million	2011	2012	2013	2014	2015
Bird Food	60	59.7	59.3	58.4	57.3
Fish Food	71.9	72.3	73.3	74.1	74.6
Small Mammal/Reptile Food	126.1	128.1	129.9	131.1	132.4
Other Pet Food	**70.1**	**72.1**	**74**	**75.8**	**77.4**

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Other Pet Food by Type: % Volume Growth 2010-2015

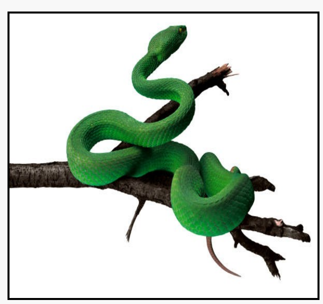
% volume growth	2014/15	2010-15 CAGR	2010/15 TOTAL
Bird Food	0.7	1	5
Fish Food	1	1.5	7.8
Small Mammal/Reptile Food	2	2.3	12.1
Other Pet Food	**1.2**	**1.5**	**7.7**

Source: *Euromonitor International estimates*

Canada - Forecast Sales of Other Pet Food by Type: % Value Growth 2010-2015

% constant value growth	2010-15 CAGR	2010/15 TOTAL
Bird Food	2.3	12.1
Fish Food	2.5	13.1
Small Mammal/Reptile Food	3.7	20
Other Pet Food	**2.6**	**13.5**

Source: *Euromonitor International estimates*



ANNEX ‘A’

This report analyses the market for pet food in Canada. For the purpose of the study, the market has been defined as follows:

- Dog food
- Cat food
- Other pet food

Dog and cat food sales are broken down by product type (wet/dry) and price platform. Examples of key brands in each price platform in Canada are as follows:

- Super premium: Orijen, Evo
- Standard premium: Hill’s Science Diet, Eukanuba
- Mid-priced: Iams, Pedigree, President’s Choice, Fancy Feast
- Economy: Compliments Value, No Name

ANNEX ‘B’

Resources/Contacts

- **Pet Food Association of Canada**
  P.O. Box 35570, 2528 Bayview Avenue
  Toronto, Ontario
  M2L 2Y4 Tel: 416.447.9970
  Fax: 416.443.9137
  Web: http://www.pfac.com

- **Canadian Food Inspection Agency (National Headquarters)**
  1400 Merivale Road
  Ottawa, Ontario
  K1A 0Y9
  Tel: 1-800-442-2342 or 1-613-225-2342
  Web: http://www.inspection.gc.ca/english/anima/petfaani/petfaanie.shtml

- **Competition Bureau of Canada**
  Guide for Labeling and Advertising of Pet Foods
  50 Victoria Street
  Gatineau, Quebec
  K1A 0C9
  Tel: 1-800-348-5358
  Fax: 1-819-997-0324
  Web: http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/01229.html

- Pet Food stores in Canada - a listing of retailers by city can be found at:
  http://www.shopincanada.com/Pets/Pet-Food/

Consumer Trends: Pet Food in Canada

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