

# Agri-Food Trade Service

## Consumer Trends Pet Food in Brazil

October 2010

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### Global Analysis

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### EXECUTIVE SUMMARY

Brazil's pet food market reached US \$4.32 billion in sales for 2009, a 5.3% increase over last year. The sector CAGR is 12.6% from 2005 to 2010. In a further breakdown, the dog and cat pet food market value, in 2009, was US \$3.95 billion, up from US \$3.75 billion in 2008. Other pet food rounded out the sector with US \$364.5 million in sales for 2009, an increase of 4.2% over 2008 sales of US \$349.6 million.

Increasing income levels, combined with greater awareness of the specific nutritional needs of pets, have led Brazilian consumers to purchase packaged pet food. Manufacturers' answer to this growing demand has been to introduce a variety of targeted products. Growing price-sensitivity among consumers will mean increased offerings across different price levels.

The Brazilian pet food market is dominated primarily by multinationals, with 47% of market share. However some domestic companies did manage to acquire a respectable share by the end of 2009. This was achieved through the expansion of economical product lines, improved product quality, enhanced distribution and ease of access to local agri-food producers. As the low cost pet food market continues to expand, and Brazilian firms continue to improve their operations and products, they are likely to gain market share in 2010.

Brazilian consumers prefer to buy their pet food through pet shops, supermarkets/hypermarkets, and agro product resellers. The increase in popularity for economy pet food makes the agro-reseller (sells farming supplies) an important channel for distribution and this trend is expected to grow, in-line with the growing demand. These are the key retailers for both rural or small-city consumers.

Smaller dogs and cats dominate the pet population in larger cities, such as São Paulo and Rio de Janeiro, due to space constraints in these metropolitan areas. These animals are, for the most part, purchased for companionship by single people, couples without children, or retirees. The continued growth of the pet humanization trend means that consumers will continue to take a greater interest in their pets' wellbeing. Upper-income pet owners, who reside in larger cities and consider their pets to be part of their family, will lead this trend.

## DID YOU KNOW?

- Innovations through segmentation have potential for further growth.
  - Brazilian sales of pet food and pet care products continue to be dominated by pet shop retailers
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## CONSUMER TRENDS

- Lower income consumers are switching from homemade food to packaged products to feed their pets.
- Consumers are adapting to lower disposable incomes and greater economic uncertainty by trading-down to less expensive, economy and private label brands, and are curbing the purchase of more expensive items. Consumers have become more price-sensitive, are looking for price promotions, and are favouring retail outlets that offer lower prices. However, despite the price-sensitivity Brazilian consumers, who purchase super premium dog food, represent the most lucrative consumer group for dog food.
- As consumers become more knowledgeable about pet food products, and take a greater interest in their pets' well-being, they are likely to spend more on their pets. Manufacturers are meeting consumers' new concerns with the introduction of innovations targeted at specific pet needs.

## RETAIL TRENDS

- Grocery retailers are increasing their share of dog food sales as a result of expansion of hypermarket and super-market chains into the north and northeast of the country, as well as into mid-size cities. Supermarkets/hypermarkets will remain at the centre of distribution strategies for leading players/brands in pet food and pet care products. They commonly offer bird food but have begun to expand by offering fish food and small mammal food as well. Veterinary clinics are expected to lose value share in sales of general pet products.
- Agro-resellers are shifting from their traditional focus on the sale of farm supplies in rural areas and small cities. With the expansion of pet food sales, these retailers are increasingly focusing on pet food, as a growing number of consumers turn to these outlets for their purchases. According to the National Association of Agro Products Distributors and Veterinarians (Andav), there are approximately 7,000 agro product resellers in Brazil.

- Higher competition is translating into fierce competitive pricing strategies, coupled with intense advertising campaigns. This is expected to increase competition for shelf space at major retailers, as companies struggle for exposure for their products. Manufacturers with wider product lines, greater volume sales and higher product turnover will benefit, as they negotiate better deals with retailers. Multinational companies are taking advantage of their close relationships with the major grocery retailers, such as Wal-Mart and Carrefour, to gain share in supermarkets/hypermarkets across the country.
- Domestic companies are being forced to concentrate on other retail channels such as agro product resellers, and are increasing investments in marketing campaigns to raise brand awareness. With new products proliferating, retailers may also become more specialized, with the possible introduction of new store formats. New formats may specialize by pet species, product type or product attributes.
- Pet shops and pet superstores dominated in the cat food retail sector with 76% of sales in 2009. With the increasing popularity of the local grocer expect to see cat food sales in these venues to increase. Internet retailing of cat food is growing in popularity, capturing 2% of retail sales for 2009.

## MARKET DATA

### Brazilian Dog and Cat Food Company/Brand Shares Retail Sales % breakdown

Brazil	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mars Inc	20.5	22.9	25.7	25.3	26.5	25.4	25.2	24.7	26.1
Nestlé SA	9.4	15.3	18.3	21.9	21.1	21.5	18.7	19.1	19.5
Nutriara Alimentos Ltda	10.3	9.9	9.3	8.4	7.8	7.8	8.5	9.5	9.2
Total Alimentos SA	9.2	8.5	8.4	8.7	8.5	9	8.5	8.2	8.7
Mogiana Alimentos SA	10.4	10.1	9.7	7.1	5.9	5.7	5.6	5.3	5.9
Procter & Gamble Co, The	1.1	0.9	0.9	1	1.3	1.2	1.2	1.1	0.9
Colgate-Palmolive Co	1	0.7	0.6	0.2	0.2	0.3	0.2	0.2	0.2
Private Label	1.9	1.7	1.5	1.3	1.3	1.1	1.1	0.9	0.9
Others	24.9	26.7	25.6	26.2	27.3	27.9	31	31.1	28.6
Total	100	100	100	100	100	100	100	100	100

Source: Pet Food and Pet Care Products: Euromonitor from trade sources/national statistics

### Brazilian Pet Food Market Size Retail Sales US\$ Million

Brazil	2004	2005	2006	2007	2008	2009
Dog Food	1579.7	1804.4	2079.2	2404.4	2912.4	3174.9
Cat Food	236.7	265.3	283.7	303.7	392.3	411.8
Other Pets Food	233.1	245.7	260.1	282.6	307.7	335.7
Bird Food	71.2	76.4	81.9	90.6	101	110.5
Fish Food	149.1	155.8	163.9	175.5	188.5	205.4
Small mammal/reptile Food	12.7	13.5	14.3	16.5	18.2	19.8

Source: Pet Food and Pet Care Products: Euromonitor from trade sources/national statistics

### Brazilian Pet Food Market Sizes Retail Sales Unit Price US \$ per kg

<b>Brazil</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Dog Food	1.2	1.2	1.3	1.4	1.8	1.9
Cat Food	2.2	2.2	2.3	2.5	2.8	2.8
Other Pets Food						
Bird Food	3.3	3.4	3.6	3.7	3.9	4.1
Fish Food	207.7	209.1	215.6	220.7	224.2	236.6
Small mammal/reptile	12.4	12.6	13.1	14.6	15.4	16.2

Source: Pet Food and Pet Care Products: Euromonitor from trade sources/national statistics

### DOG FOOD

- The dog food market in Brazil represents US\$3,174.9 million in retail sales for 2009, up 9% from 2008. The percentage of dog owners buying packaged dog food accounted for 23% in 1998 and reached 43% in 2008. Higher unit prices restrained growth, inhibiting consumers from switching from non-prepared food to packaged food. In spite of higher unit prices, in 2009, premium dry dog food experienced the highest growth rate, with a 15% increase in sales.
- Branded products continue to dominate sales, with private label products responsible for just 1% of value sales in 2008. In 2009, there were over 252 new product launches in this category. The canine digestion and urinary tract category saw the most new product launches in dry dog food, in 2009, with 52 (see graph on following page). Conversely, the most popular new product launches in the wet dog food category claimed to be all natural.
- A common thread throughout the Brazilian pet food market is product segmentation. Segmentation is becoming more prevalent and, in 2009, encompassed premium, mid-priced brands, and even some economy brands. Companies are launching products targeted to breed types, age-specific nutritional requirements, flavours and specific health benefits.
- Smaller dogs are increasing in popularity due to their limited space requirements; however, both rural and urban consumers prefer larger dogs.

Note: 2009 statistics estimated.

### Brazil Sales of Dog Food—2005 - 2009 - US\$ Million

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Wet Dog Food	68.73	58.86	71.52	80.84	86.80
Dry dog Food	6984.97	8083.17	9370.42	11796.84	12927.44
Dog treats and mixers	100.58	101.70	91.08	228.54	284.05

Source: Euromonitor International

### Sales of Premium Dog Food—2005-2009 - US\$ Million

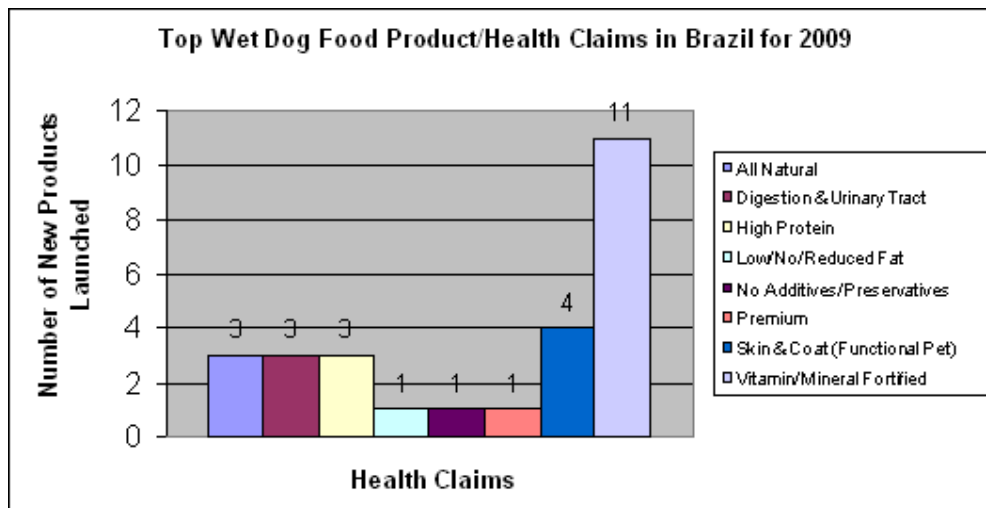
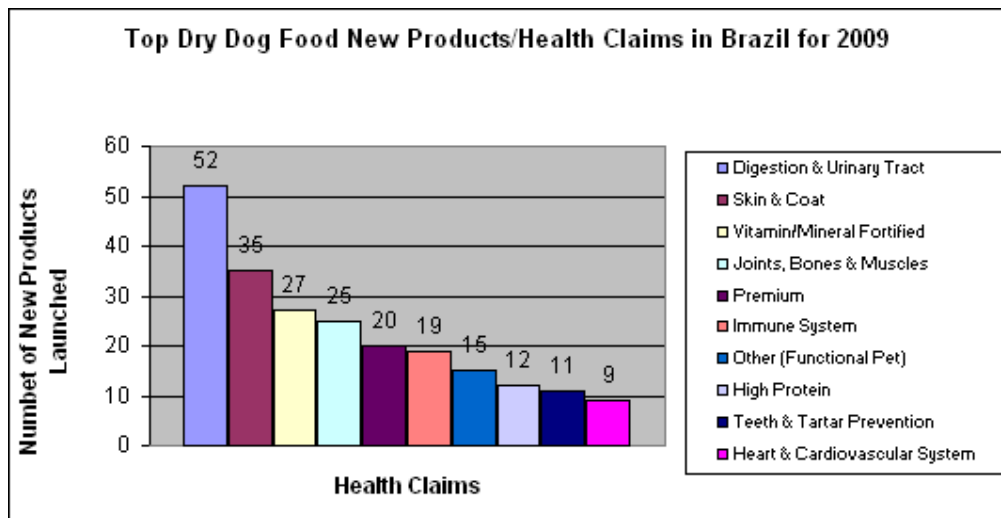
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Premium wet dog food	0	0	0	0	0
Premium dry dog food	1911.45	1995.05	2197.84	2559.46	2741.01
Super premium dog food	492.34	519.53	597.36	704.43	737.21
Standard premium dog food	1419.11	1475.71	1600.47	1854.84	2003.99
Premium dog food	1911.45	1995.05	2197.84	2559.46	2741.01

Source: Euromonitor International NOTE: Statistics not available for premium wet dog food.

Dog Food Top 10 Company & Brand Sales 2006-2009 (% retail sales)

Brand	Company	2006	2007	2008	2009
Pedigree	Mars Brasil Alimentos Ltda	14.5	14.3	15	15.9
Dog Chow	Nestle Brasil Ltda	7.5	7.5	8.1	8
Frolic	Mars Brasil Alimentos Ltda	6	5.7	6	6
Kanina	Nestle Brasil Ltda	4.3	5	4.6	4.7
Alpo	Nestle Brasil Ltda	2.7	2.6	2.8	2.8
Foster	Nutriara Alimentos Ltda	2.3	2.2	2.4	2.4
Pro Plan	Nestle Brasil Ltda	2.4	2.5	2.3	2.4
Max	Total Alimentos SA	2.1	1.9	2.5	2.3
Lider	Total Alimentos SA	1.9	1.8	1.8	1.8
Nero	Total Alimentos SA	2.1	1.9	1.7	1.7

Source: Euromonitor International



Source: Mintel Functional Pet Food, New Product Launches

## CAT FOOD

- Retail value for cat food in 2009 was US \$411.8 million. Cat food, which is dominated by mid-priced brands, grew by 5% in current sales for 2009 and is expected to grow by 6% in 2010.
- Cats are becoming increasingly popular among single people and retirees in urban areas.
- When comparing prepared versus non-prepared cat food, the non-prepared variety accounts for the majority of sales in this sector, with 78% in 2009.
- Price promotions and discounts are increasingly sought after by Brazilian consumers. Non-prepared cat food (53.8%) lost ground to prepared cat food (46.2%) in its total consumption for 2009.
- Multinationals are responsible for more than 50% of total sales value in cat food. Manufacturers of cat food have extended their product lines to include more segmented items, as cat owners are increasingly choosing brands based on their health and nutritional benefits.

### Sales of Cat Food - 2005-2009 - US\$ Million

	2005	2006	2007	2008	2009
Wet Cat Food	56.44	41.35	47.68	53.83	54.76
Dry Cat Food	991.47	1080.87	1153.51	1494.93	1570.93
Cat treats and mixers	2.98	2.61	2.98	6.89	7.08

Source: Euromonitor International

### Sales of Premium Cat Food - 2005-2009 - US\$ Million

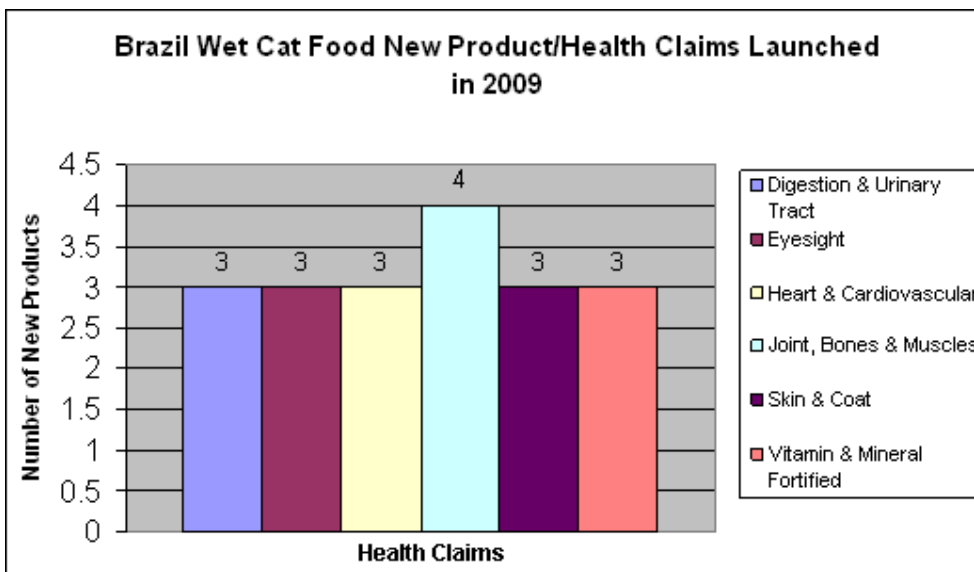
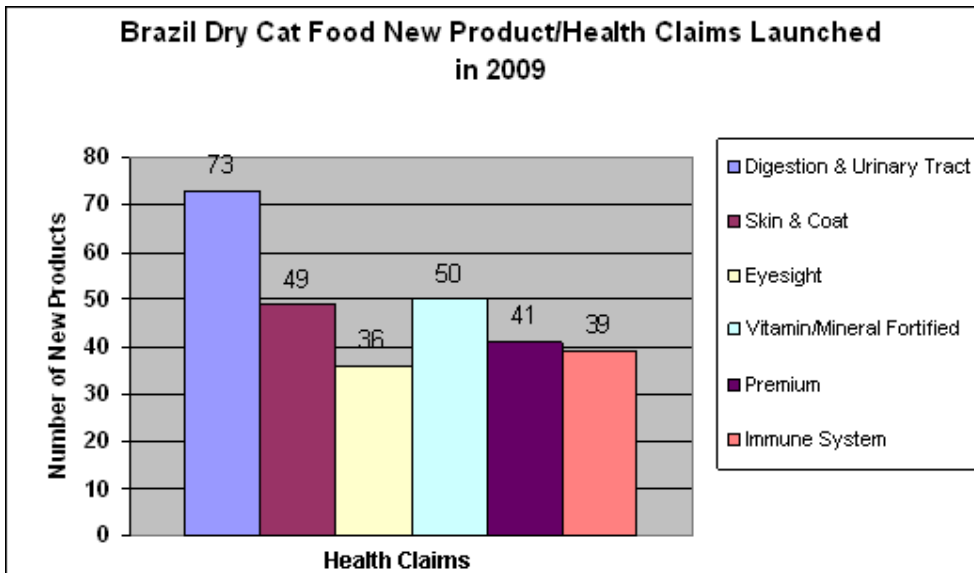
	2005	2006	2007	2008	2009
Premium wet cat food	4.47	1.30	0.00	0.00	0.00
Premium dry cat food	178.95	186.77	196.82	252.13	256.60
Super premium cat food	178.95	186.77	196.82	252.13	256.60
Standard premium cat food	4.47	1.30	0.00	0.00	0.00
Premium cat food	183.42	188.07	196.82	252.13	256.60

Source: Euromonitor International NOTE: Statistics not available, for both premium wet cat food and standard premium cat food, from 2007 to 2009.

### Cat Food Brand and Company Shares 2005 to 2009 (% retail sales)

Brand	Company	2005	2006	2007	2008	2009
Whiskas	Masterfoods Brasil Alimentos Ltda	31.1	30.9	31.8	31.9	32.2
Royal Canin	Royal Canin do Brasil Industria e Comercio Ltda	6.7	6.6	6.7	6.7	7
Pro Plan	Nestle Brasil Ltda	5.7	5.6	5.7	5.8	6
Friskies	Nestle Brasil Ltda	3.5	2.6	2.6	2.8	3.3
Cat Chow	Nestle Brasil Ltda	3	3	3.1	3.2	3.2
Max	Total Alimentos SA	2.3	2.7	2.8	2.9	2.8
Sabor & Vida	Mogiana Alimentos SA	2.1	2.2	2.3	2.5	2.6
Lider	Total Alimentos SA	2.3	2.2	2.1	2.3	2.3
Top Cat	Mogiana Alimentos SA	2	2	1.9	1.9	1.8
Gatto	Nutriara Alimentos Ltda	1.2	1.5	1.6	1.7	1.8

Source: Euromonitor International



Source: Mintel, Functional Pet Food New Product Launches

## OTHER PET FOOD

Other pet food includes, small mammal, reptile, fish and bird food.

- Total other pet food retail value sales rose by 9% in 2009 to reach US\$335.7 million. Bird food had the highest growth rate of 9.5% in 2009, reaching US\$110.5 million.
- Fish food retail value sales for 2009 are US\$205.4 million, up from US \$188.5 million in 2008.
- The Brazilian bird, fish and small mammal pet population has increased rapidly. Turtles, hamsters, ferrets, fish and chinchillas are increasingly popular among urban families with younger children, given their low maintenance and limited space requirements.
- Manufacturers of other pet food have extended their product lines to include more segmented items, such as life-stage, breed or species-specific products. However, among this group, only manufacturers of bird food have started to segment their product lines, with fish food seeing a more limited development of this trend. The Other pet food category has also seen the introduction of products based on natural ingredients (i.e. no artificial colours or preservatives).

- Among manufacturers, Nutriara plans to enter the other pet food market with the introduction of 12 bird and fish food products in 2010. Indústria e Comércio de Alimentos Desidratados Alcon Ltda (the leading manufacturer of bird and fish food, with 38% value sales in 2008) introduced the Alcon Eco Club line with a wide range of products developed for specific bird species and different life stages.
- Innovation in packaging design is being used by manufacturers to increase product differentiation. In addition, companies are developing new products with a wider selection of food for the increasingly popular small mammal pet food market.

#### Sales of "Other" Pet Food 2005 to 2009 - US\$ Million

	2005	2006	2007	2008	2009
Bird food	19.82	16.97	20.62	23.31	25.03
Fish food	2013.91	2330.54	2701.68	3240.16	3533.91
Small Mammal/reptile food	29.00	29.32	48.28	48.28	48.28

Source: Euromonitor International

#### Sales of Bird Food Brand Shares - Retail Sales % breakdown

Brand	Company name (GBO)	2006	2007	2008	2009
Tori	Yoki Alimentos SA	40	39.1	38.4	42.2
Trill	Mars Inc	0	26	26.3	30.1
Trill	Masterfoods Brasil Alimentos Ltda	26.5	0	0	0
Private Label	Private Label	2.8	2.4	2.5	2.6
Others	Others	51.8	51.3	50.4	48.1

Source: Euromonitor International

#### Sales of Fish Food Brand Shares - Retail Sales % breakdown

Brand	Company name (GBO)	2006	2007	2008	2009
Tetra	Aquarium Alimentos para Peixe Ltda	29.4	30.2	30.3	31.4
Basic	Industria e Comercio de Alimentos Desidratados Alcon Ltda	16	16.1	16.8	17.9
Private Label	Private Label	2.8	2.4	2.5	2.6
Others	Other	51.8	51.3	50.4	48.1

Sources: Euromonitor International



The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

CONSUMER TRENDS—PET FOOD IN BRAZIL

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