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Product Brief

Pet Food Report

2004

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Report Highlights:

An emerging trend in today's Greek households, increased pet ownership and improved pet care is evidenced by a steady rise in pet food imports. In 2003, retail pet food imports hit their peak, totaling \$65.4 million. As a result of this demand more pet supply stores and veterinary clinics are opening, broadening the diversity of pet food retailers in Greece. Although the United States faces fierce competition with European Union producers, U.S. pet foods still maintain an important position in the growing market of premium and specialty pet food products.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I. MARKET OVERVIEW

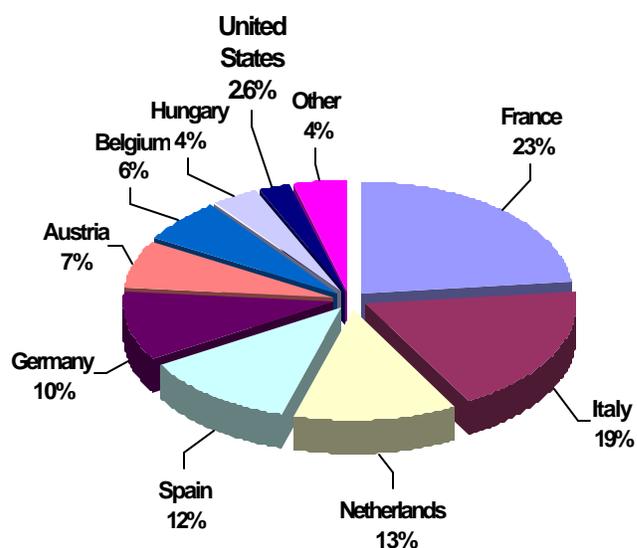
Until recently, even “pet” dogs and cats in Greece were left outside of the home and fed mostly table scraps. The traditional Greek perception was that pets were part of the environment and that it was unnecessary and unclean to allow them to stay indoors. The way people care for their pets is changing. More knowledgeable Greek consumers are holding American pet food products in high regard. Greater numbers of outdoor neighborhood cats and dogs are fed manufactured pet foods, a sign that conventional habits are changing.

More importantly, a new trend toward adopting or buying pets and maintaining them indoors has caught on. A combination of influences from both American and Western European cultures through television, film and magazines has begun to transform the way that many Greeks think of cats and dogs. Furthermore, the news of health benefits from pet ownership has been publicized in Greek magazines and newspapers in recent years. Households of all types, in both suburbs and urban areas have begun to include pets in their homes. Some Greeks with particularly high incomes see pets as a sort of status symbol; often attending dog or cat shows and events, and possibly gaining more exposure to U.S. pet foods.

This new kind of pet owner is more likely to be a well-informed customer of supermarkets, pet food stores and veterinary clinics where pet products are widely available. They are known to read labels on pet food packaging and often obtain the advice of veterinarians and pet store employees. Individuals and families with higher incomes will be more likely to purchase premium pet food brands from pet stores and veterinary clinics, including those produced in the United States.

Supermarkets are by far the largest retailer of pet food products, with over 85 percent of the sales in Greece. However, they stock mainly private label to premium products imported from other EU member countries (See Figure 1). A secondary, but important retail outlet for pet foods is the pet supply store, with more innovative, higher quality and greater variety of products available to the urban and suburban pet owner. In 2003 a total of roughly \$1.5 million in U.S. pet food products was imported, (a 2.6 percent share of the import market in Greece) largely for pet supply stores and veterinary clinics concentrated in and around Athens and other densely populated cities.

Figure 1. Dog and Cat Food At Retail Sale Imports, By Country of Origin, 2003



Source: Foreign Agricultural Service, BICO Report, 2004

According to data from the United Nations and U.S. Department of Agriculture, the correlation between U.S. imports of Pet Foods to European countries (including Greece) and their per capita gross domestic product or GDP is high (See Table 1). This in effect means that the greater consumers' income, the more likely they are to buy U.S. pet food products. Since Greece has a relatively low per capita GDP, the number of households that can afford the additional expenses of pet ownership are fewer than in many other European countries. However, the Greek economy has remained stable and is expected to benefit from hosting the 2004 Olympic games in Athens. Other indications point to continued growth and improvement of the economy and per capita GDP. Tourism, although not the main source of Greece's wealth, may still impact the economy by creating more jobs for future peak seasons for tourism and sports related events. In addition, the country's status as a member of the European Union and the adoption of the Euro as currency gives an incentive to local importers due to a better exchange rate for goods purchased from the United States. The U.S. Dollar to Euro exchange rate from January to June, 2004 averaged 0.81.

Table 1. Comparison of GDP Per Capita and Annual Per Capita Spending Based on Total Imports to Select EU Member Countries, by Value

Country	GDP Per Capita (USD, 2002 est.)	Annual Average Per Capita Spending on Pet Food (USD)
Belgium	29,000	2.15 ¹
Sweden	26,800	0.41
Netherlands	28,600	0.37 ²
Italy	26,800	0.21
United Kingdom	27,700	0.20
Greece	19,900	0.15
France	27,500	0.08 ³

Sources: Foreign Agricultural Service, BICO Report, 2004; Central Intelligence Agency, World Factbook, 2003

¹ Reexport to other European countries would explain this high value

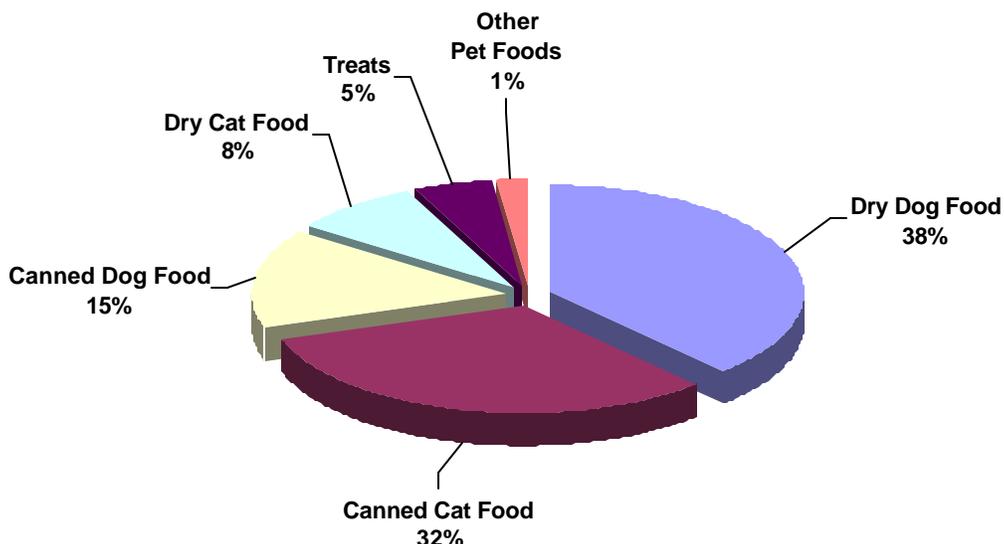
² Netherlands excludes the Netherlands Antilles

³ France is one of the largest producers of pet foods in Europe

Future sales in the Greek market for pet foods as a whole are expected to increase by at least 5 percent annually for the next five years. Upper premium pet foods for cats and dogs are the best prospect for U.S. pet food exporters. Additionally, as pet treats gain in popularity, there may be a rise in export of these products as well. It is essential to watch the economic growth of Greece and the per capita GDP for an accurate outlook on potential sales of U.S. pet food exports. Moreover, marketing should not be understated in an environment like Athens and other major Greek cities, where shelf space is at a premium as competition with less expensive European brands is strong.

The market for pet foods is divided into several categories: dry and canned dog and cat foods, treats and other pet foods. While dry foods are gaining in popularity, canned foods are still almost equally popular in both cat and dog food products.

Figure 2. Comparison of the Types of Pet Food Purchased, by Value



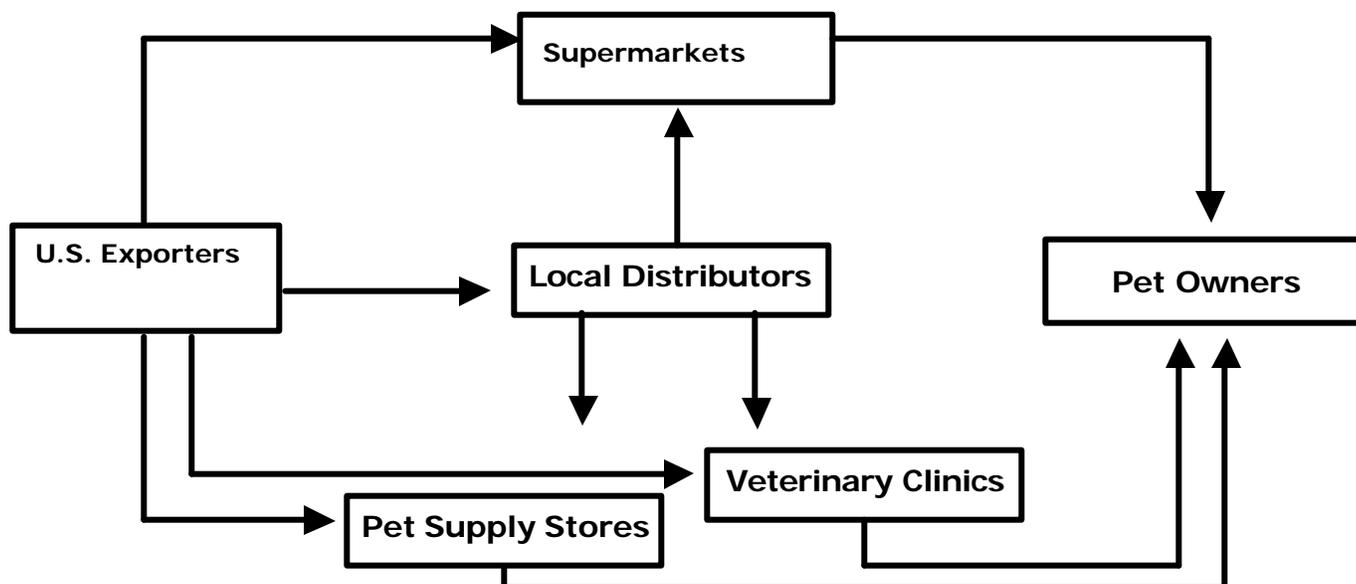
Source: Interviews with importers including supermarkets, pet supply stores, and veterinary offices in Greece, 2004

Consumers are known to look at labels, for nutritional content, most often protein concentrations. Also noteworthy, the labeling of biotech ingredients is still a problem for Greek importers, who say that consumers of pet foods are less likely to purchase them.

Advantages	Challenges
U.S. pet food products are well recognized by knowledgeable buyers and considered highest in quality.	Many Greek consumers still consider pet food products as luxury items.
There are only a few pet food producers in Greece; therefore they do not have a big impact on the national imports.	Duties on U.S. pet food products and higher transportation costs make imports more expensive than those from EU countries, or from Greece.
The market for pet food products has grown despite the relatively low per capita GDP.	Treats have a presence in the Greek market, but in low quantities and in more traditional varieties (ex. rawhide and pig ears).
Specialty and upper premium pet foods from the United States are in demand.	Products with biotech ingredients have strict label requirements on the product packaging.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Product Flow for Imports:



Entry Strategy

Distributors

We estimate that about 42 percent of the products supplied to the market through distributors consist of value or private label brands, sold mostly by supermarkets. Of the remaining supply in the market, about 35 percent consist of premium brands, such as Pedigree® and Whiskas®, and the other 23 percent is made up of upper premium brands including Iams® and Hill's Science Diet®. The largest name brand producers, such as Masterfoods (makers of Pedigree®) and Nestlé's Ralston Purina are represented within the country and are the only type of supplier, besides local producers, that does not generally go through a local distributor to reach the market.

Both easier and more effective, using a local Greek distributor to introduce a new product is generally the best method of entry into the local pet food market. Export through a local distributor is best route for products seeking wide distribution through many channels including pet supply stores and veterinary clinics. Once the product has had success in the Greek retail market, then exploration of direct export to the individual retail sectors would be more feasible.

The largest food and beverage distributors in Greece handle about 87 percent of the pet food products for retail sale. Many smaller distributors have ended their pet food business, because their main clients, supermarkets, recently either began dealing more with larger importers, or import directly from the exporter or manufacturer for their pet food products.

In-country visits after contact and interest from pet supply stores and veterinary clinics are necessary before contacting Greek distributors. Customers of distributors, the retail businesses, are making the ultimate decision on whether to buy a premium U.S. pet food product, and are essential to beginning negotiations with the distributor.

Distributors handle a variety of products, and visit trade shows around the world to find new products. However, they are more likely to attend general U.S. food and beverage trade shows rather than U.S. pet product trade shows. The European pet product trade shows are more important for capturing both distributors' and pet supply stores' interest (See Section V).

Pet Supply Stores

With locations in and around major cities in Greece, pet stores have seen growth over the past three years of about 5-10 percent and are expected to continue along the same path.

Although they have a smaller share of the overall retail market for pet foods, pet supply stores are the best prospect for future sales of U.S. pet food products. Most pet supply stores purchase their stock from a mix of local distributors. In addition, a small number of Greek pet food manufacturers are directly selling most of their products to pet supply stores, and making sales thanks to store promotion and competitive prices.

Contact with the owners of larger chain pet supply stores through visits and local pet trade shows is important. Word of mouth has a great influence as well, and though some veterinary clinics already sell pet food products, their advice to clients may additionally influence the sales of certain pet food products at pet supply stores. Leaflets with nutritional benefits on display at veterinary clinics would compliment any new product promotion in a pet supply store.

The best product category prospect for pet supply stores is specialty, upper premium pet food for dogs and cats, where U.S. pet foods are already held in high regard. Many of the customers of pet supply stores are willing to pay slightly higher prices. In addition, pet treats for dogs and cats that have benefits such as dental cleaning and bone health would be good prospects for export to Greek pet supply stores.

Since the price of U.S. pet food products is usually higher than competing brands, marketing and advertising is crucial to the success of these new products in stores. The best approach for a U.S. supplier to introduce their products through Greek pet supply retailers is through in-store advertising and free samples.

Veterinary Clinics

Veterinary clinics are the newest outlet for pet food products, which means that unique brands have not yet solidified, offering a good opportunity for U.S. premium and specialty pet foods. Due to the small amount of orders, it is best to export through a distributor for this sector of the market.

Important in veterinary clinics too is the use of marketing and advertising displays for maximum communication. A display inside the clinic would convey to clients the endorsement of the veterinarian. For example, the largest veterinary clinic in Athens carries a wide assortment of dry dog foods and canned cat foods as well as bird and small animal foods. The products are all from one line produced by a German manufacturer. This product is not well known in other pet stores and clinics, but is sold to clients of the office due to the advice of the veterinarians. Sending samples of special diet foods and treats for health, for example bone treats for dental health, is a useful technique for testing a new product in this market.

Supermarkets

While selling over 85 percent of pet foods, the supermarket sector in Greece is a difficult, though not impossible market to enter. Supermarket retail supplies its customers with mostly economical brands, which are dominated by imports from other EU countries. They typically do not stock pet food products made in the United States due to the high price for retail, which does not suit the average supermarket customer buying pet food.

Private label brands for supermarkets are usually purchased through a local distributor for major pet food brands. Main distribution centers in Europe supply direct exports for supermarket chains with their own private label products. The premium, major brands like Masterfoods and Nestlé's Ralston Purina have in-country offices with plants for production of pet food products in France, Spain, Holland and Italy. Imports of these brands are made directly through these suppliers.

SECTION III: COSTS AND PRICES

The following organizations offer cost and pricing information on pet food products from point of entry to final point of sale. Greek importers are also a good resource for information on fees, taxes and other import costs in Greece.

- Tariff rates and import duties are upheld from the EU customs legislation. Pet food for retail sale is listed under Taric Code: 230910 at http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
- The value added tax (VAT) on pet foods sold in Greece is currently fixed at 8 percent. The consignee pays this tax, along with the duties mentioned above.

SECTION IV. MARKET ACCESS

The following links are provided for regulations, standards and procedures for the import of pet food products. For further information, please contact our office or any other contacts listed in Section VI.

- For general export market information on Greece, the 2003 Exporter Guide is available through the USDA's Foreign Agricultural Service's (FAS) Attaché Report section under Gain report number GR3022.

- Greece operates under the European Union health certification requirements which are available on the EU website at EUR-Lex, the portal to European law: <http://europa.eu.int/eur-lex/en/>
 - Guidelines for pet food health certification are in the EU legislation's Official Journal. Click *Official Journal* on the toolbar, then select *Access to Previous Issues; 2004; April; L112*
 - For updates on EU certification requirements, visit the FAS website for EU regulations on pet foods at <http://www.useu.be/agri/petfood.html>
 - Contact the APHIS-VS Area Office in the State from which the animals or products will be exported for any questions or concerns regarding the regulations for exporting animals or animal products to Greece at: <http://www.aphis.usda.gov/vs/> Click on *Area Offices*

SECTION V. TRADE SHOWS AND EVENTS

- **Continental European Dog Show** October 2-3, 2004 Charleroi, Belgium

Royal Club Canin Du Hainaut asbl
Félix Grulois
Avenue de Ragnies 34
B-6530 Thuin, Belgium
Phone: +32 (0)71 59 02 26, Fax: +32 (0)71 59 02 26
Website: <http://www.charleroiexpo.be/En>

- **Interzoo** May 11-14, 2006 Nürnberg, Germany

WZF
Exhibition Centre Nürnberg
U.S. Representative
Phone: 978-371-2203
Fax: 978-371-7121
E-mail: info@zzf.de
Website: <http://www.interzoo.com>

- **World Small Animal Conference** October 6-9, 2004 Rhodes, Greece

Hellenic Veterinary Multinational Society (HVMS)
15, Mesogion Avenue, ATCHLEY House,
GR115 26 Athens, Greece
Phone: +30-210-7499300, Fax: +30-210-7705752
E-mail: congress@triaenatours.gr
<http://www.hvms.gr/rhodes2004>

- **Zoomark International** May 5-8, 2005 Bologna, Italy

Bologna Fiere
Viale della Fiera, 20
40128 Bologna, Italy
Phone: +39-(0)5-12-82111, Fax: +39-(0)5-12-82332
E-mail: dir.gen@bolognafiere.it
Website: <http://www.zoomark.it>

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Agricultural Affairs Office (Covering Greece and Malta)

Foreign Agricultural Service
Ann Murphy, Agricultural Attaché
Via Vittorio Veneto 119/A
00187 Rome, Italy
Phone: 011-390-6-4674-2362
Fax: 011-390-6-478-87008
Email: agrome2001@yahoo.com
Website: <http://www.usembassy.it/agtrade/>
Also visit the Foreign Agricultural Service's website at: www.fas.usda.gov

Agricultural Affairs Office

Foreign Agricultural Service
Danae-P. Synodinou, Agricultural Marketing Specialist
Address: 8 Makedonon Str.
GR-101 60 Athens, Greece
Phone: 011-30-21-720-2233
Fax: 011-30-21-721-5264
Email: fasgr@ath.forthnet.gr
Website: <http://athens.usembassy.gov/us/agriculture/index.html>
Please visit our website for promotional activities, trade statistics and more reports on the retail and food service sectors and on food import regulations for Greece.

U.S. Mission to the European Union

Foreign Agricultural Service
This website has a section on the pet food certification requirements of E.U. member countries.
<http://www.useu.be/agri/petfood.html>

Basic country information may be found in the **Central Intelligence Agency's** World Fact Book under the country of interest.
<http://www.odci.gov/cia/publications/factbook>

Department of Commerce

U.S. Commercial Service
Information on marketing U.S. products and services is in the Country Commercial Guide for most Greek countries.

<http://www.export.gov>

Click on *Market Research* link, then select *Country & Industry Market Reports*.

Department of State

Bureau of Consular Affairs

Links to United States Embassies and Consulates Worldwide

<http://travel.state.gov/links.html>

Foreign Agricultural Service, USDA

BICO Reports

Provides bulk, intermediate, and consumer-oriented agricultural product data per calendar or fiscal year.

http://www.fas.usda.gov/scriptsw/bico/bico_frm.asp

Animal and Plant Health Inspection Service, USDA**Veterinary Services**

Animal and Plant Health Inspection Service, USDA

Miami, Florida

Phone: 305-526-2825

Fax: 305-871-4205

<http://www.aphis.usda.gov/vs/>

B. Other sources of Information on the Greek pet food market:**EU Pet Food Legislation**

Import certification requirements for Greece and all other European Union member countries are listed.

Website: <http://europa.eu.int>

Hellenic Veterinary Multinational Society (HVMS)

15, Mesogion Avenue, ATCHLEY House,

GR115 26 Athens, Greece

Phone: +30-210-7499300

Fax: +30-210-7705752

E-mail : congress@triaenatours.gr

Website: <http://www.hvms.gr>