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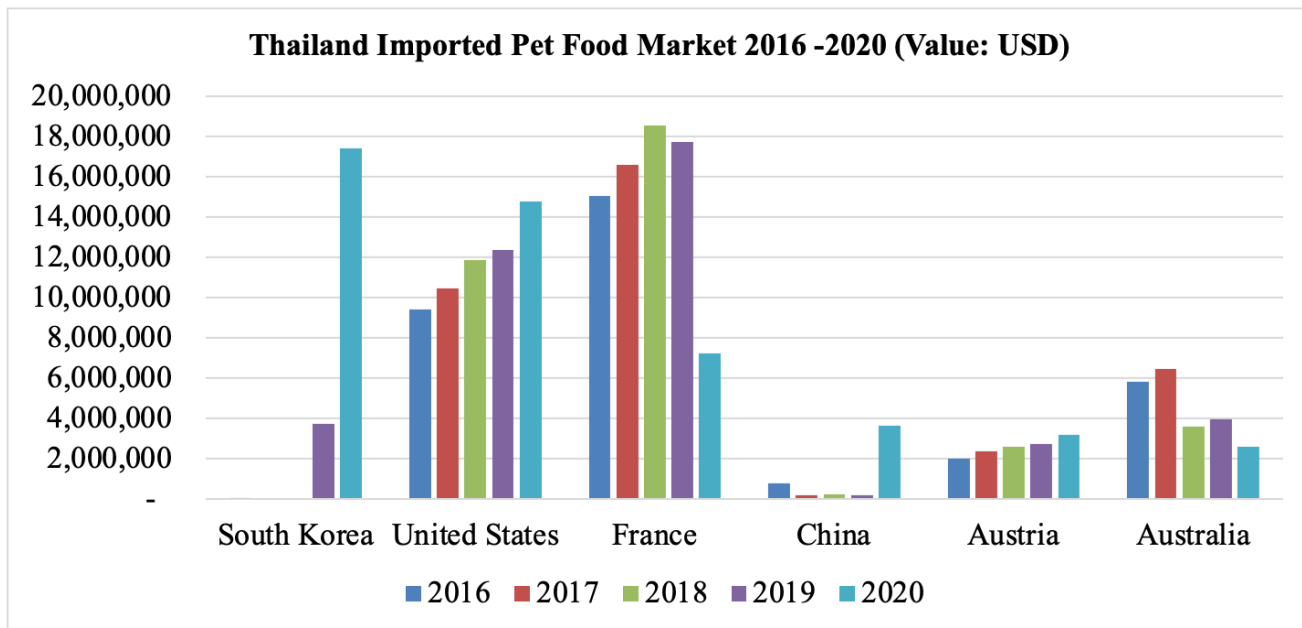
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Report Highlights:

Thailand's pet food market experienced steady growth due to the rise of "pet humanisation" and an increasing cat population. These phenomena benefited all imported pet food and increased demand for higher-quality products. Although the imported products occupy only 6% of market share and the market is dominated by local producers, there is room for more imported products.

Thailand’s Pet Food Market

Thailand’s pet food market (mainly targeting dogs and cats) is considered Asia’s 2nd largest after China with a market value of US\$ 900 million in 2019. According to the Thai Pet Product Association, in 2020 there were about 14.5 million pets in Thailand: 8.9 million dogs (62%), 3.3 million cats (23%), and other pets (15%.) Due to the pet humanization phenomenon, the market showed an average growth rate of 10% annually since 2017. Thailand’s imported pet food represents only 6% of market share, valued at US\$ 54 million. The United States still dominates Thailand’s imported pet food market with a market share of 34%, followed by South Korea at 29%, France at 14%, Austria at 8%, Australia at 6%, and China at 3%. The value of U.S. pet food imports was about US\$ 15 million in 2020 with the leading brands including Hill’s, Eukanuba, IAMS, Proplan, Pinnacle, Taste of the Wild, and Avoderm.



Thailand is the world’s 4th largest pet food exporter after Germany, the United States, and France respectively. The leading Thai food producers who expanded their business into the pet food industry include CP Group, Betagro, Asian Group, and Thai Union Group. Global companies Mars Inc. and Nestle Purina also maintain operations in Thailand. Production hubs in Thailand serve both the local market and export demand. These leading pet food manufacturers highlight their commitment to producing pet food with consistently high standards synonymous with human food grade while using sustainable sources for 100% of their supply to the region.

Pet Humanization

One of the most important drivers of the pet food industry is the “pet humanization” phenomenon where pet “ownership” has shifted to pet “parenting.” Pet humanization can be defined as consumer behaviors

that treat pets as family members or as children. Pet owners that refer themselves as “pet parents” tend to provide their pets with human-like products and experiences. They are also willing to spend money on the highest quality food, clothes, accessories, and services. The pet humanization phenomenon is a result of urbanization and the rise of a middle-class with a higher disposable income and an increased number of singles and childless families. Thanks to pet humanization, high quality products, such as premium pet food, are sought after by pet owners seeking pet food made from natural raw materials and ingredients without chemicals or artificial substances. Different types of premium pet food seen in the market include organic, grain-free, plant based, etc. Nevertheless, some manufacturers or brands also come up with innovative pet food products by offering the specific food designed for different breeds, weight, health conditions, and activities.

The Rise of the Cat Population

One of the major factors maintaining strong growth for Thailand’s pet food market is the rising cat population and the increasing number of households owning cats. Although the cat population (3 million) is much lower than the dog population (9 million), cat popularity is growing due to consumers’ changing lifestyles and time constraints. Cats are increasingly preferred among younger people since they require less space, time, money, and attention compared with dogs. They are also suitable pets for people who live in small apartments or condominiums.

Despite the current economic problems, cat food experienced less impact compared to other pet food categories. Consumers still sought the best dietary choices for their cats. At the same time, manufacturers paid more attention to cat food with innovative developments, like improved nutrition with better texture. The cat food market grew almost 30% between 2019 to 2021. This growth also affected brands’ strategies to launch new products, taking into consideration the popularity of feeding wet food to cats. For cat food, the ratio of dry to wet products is 60% and 40%, while for dog food the ratio is 80% to 20%. The increasing demand for premium cat food impacted the whole pet food industry in terms of innovation and sales.

The Impact of COVID-19

During the period of pandemic, Thailand’s pet food maintained solid growth in 2020 and 2021, although the sales rate of increase slowed slightly compared with pre-pandemic period as consumers became more cautious with spending. However, in the early stages of the outbreak of COVID-19, together with the government’s lock down policy, people were panic buying and stockpiling necessities, including pet foods. Dry pet food gained popularity amongst consumers during this uncertain situation period, due to its longer shelf life and more convenient storage. It has continued to account for higher sales than the pre-pandemic period.

In addition, along with consumers’ concern about their own health during the pandemic, they increasingly pay more attention to their pet’s health and wellness. This change of attitude led to purchases of premium products featuring high quality ingredients with high nutrient content and vitamins that improve the skin conditions.

Premium Pet Food Rules the Market

The consequences of pet humanization, the rise of the cat population, and the impact of COVID-19 increasing the owners' awareness regarding their pets' wellbeing, led to the development of a premium market segment. This market development allows for more competition among premium brand to differentiate themselves by introducing novel types of premium pet food products. The premium segment, especially for imported products, has even shifted from a premium to super-premium market segment for pet owners willing to buy higher quality products regardless of price. This new willingness to pay any price accelerated growth for both premium wet and dry pet food. Super-premium and premium products will be a key focus for brands as they continue seek more shelf space through specialty trade channels (pet shops, clinics, hospitals, and pet farms), modern stores (supermarkets, hyper markets, convenient stores), and online stores. The super-premium products are likely to offer health and wellness benefits containing organic or natural ingredients, such as grain-free, hair loss-resolving formulas, and energy-improving recipes.

Opportunities for U.S. Products

Thailand's pet food market expects to see continued, gradual growth and this uptrend supports the expansion of imported products. Although competition in the pet food market is intense with multiple players such as local producers, global producers with production base in Thailand, and pet food exporters who also enjoy the local market, there are still plenty of room for imported brands with wide selection of product categories.

Thanks to the development of specialty trade channels, such as pet shops, animal clinics, and animal hospitals, there are a greater variety of pet products available. In addition, e-commerce is another channel where new product may be successfully introduced. Traditional trade shops present fewer products at lower price points and only allow well-known brands; the imported products represent only 5-10% of supply in these locations.

The rise of e-commerce is one of the keys drivers that increase the sales among super-premium and premium pet food products. In the past three years Thai consumers turned to online shopping more than before. Their purchases are made via the websites of producers, suppliers, retailers, specialty online stores, and leading online marketplaces, such as Lazada, Shopee, and others. The online transactions also increased steadily due to the COVID-19 when most of the suppliers or stores adjusted themselves to be more online. The direct purchasing also allowed suppliers to have direct connections with consumers and present the benefit of products as well as collecting insights about consumers for future product developments.

Challenges for U.S. Products

The imported U.S. pet food performed very well 15 years ago when there were fewer market participants. However, as the market grew, the major brands consolidated or acquired smaller brands, which challenged importers of U.S. brands that subsequently lost some of their market share to other non-U.S. companies. Lastly, the complicated Thai regulations regarding animal feed products limited the import of some products making Thailand more challenging than other markets in the region for doing business. According to the Department of Livestock Development (DLD), who has major

authority to controls on animal feed business, the regulations state that to import all poultry, ruminant and swine feed/animal protein into Thailand, a producer in an exporting country is required to undergo a factory audit by DLD. However, to begin the process, typically the importer submits their product formula for DLD's consideration and advice on further import procedures based on Animal Feed Control Act, B.E. 2015. As most product formulations are confidential and businesses are not willing to declare their product information, sometimes brands are not interested in working through this process. In addition to working with DLD, pet food companies must engage the Department of Agricultural (DOA). DOA controls importation of plant-based feed, in particular fresh plant or dried plant, or product classified under vegetable materials, vegetable residues, and by-products. Overall, these challenges are overcome by companies determined to access the premium and super-premium market segments and good opportunities remain to increase exports in this growing sector.

End of Report

Attachments:

No Attachments.