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Pet Products

A Hidden Opportunity for Smaller Meat
& Poultry Processors





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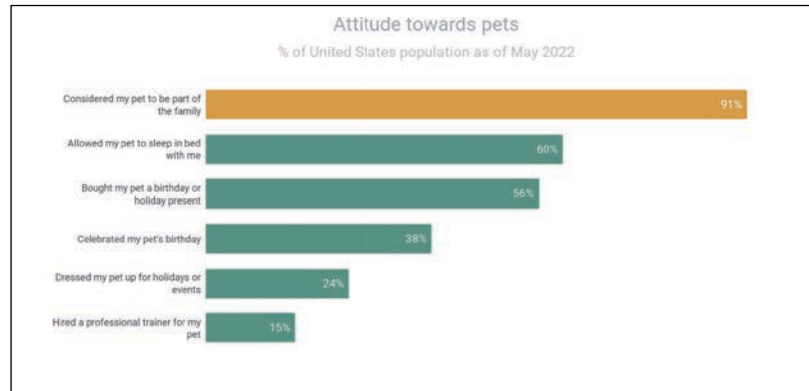
Humanization of Pets Creates New Market Opportunities

Changing attitudes toward companion animals are opening the floodgates to new opportunities for smaller meat and poultry processing/marketing enterprises. Capturing these opportunities, though, sometimes requires additional equipment and infrastructure, along with the ability to navigate through the confusing maze of regulations governing pet product manufacturing and labeling. This document from Flower Hill Institute is designed to provide some guidance in the requirements to capture the opportunities in the pet product marketplace.

The Opportunity

Top Line:

- The pet industry topped \$128 billion in 2022 and is anticipated to reach \$195.6 billion by 2030.¹
- Pet food and treats accounted for roughly \$50 billion in sales.
- Changing consumer attitudes are driving an increase in demand for higher-quality ingredients.



Pet Industry News notes that the market growth will be led by nutrition, “as owners continue to purchase more premium pet foods...”²

¹ Source: [Bloomberg Intelligence](#), Global Pet Industry to Grow to \$500 Billion By 2030, Bloomberg Intelligence Report Finds, March 2023

² Source: Pet Food Processing, [Global pet food market on track to \\$137 billion](#), April 14, 2023

A Deeper Look:



Fewer people are referring to dogs and cats as “pets.” Gone are the days when Fido guarded the house and Fluffy kept the barn free of mice and rats. Today, dogs and cats are considered part of the family. People describe their pets as companion animals and consider themselves to be pet parents.

A quick trip down the pet food aisle at the local grocery store, or through the aisles in a pet specialty store illustrates how the industry has become increasingly complex in recent decades.

Until the 2000s, the protein ingredients in most pet food brands consisted of the cheapest ingredients possible. Pet food companies regularly bought poultry and meat that came from animals that were classified as 4-D (dead, dying, disabled, or diseased). During the past two decades, however, the formulations, ingredients, and marketing have changed dramatically. While brands such as Old Roy and Purina Dog Chow still rely on the lowest cost, lowest value ingredients, a bevy of new brands have successfully entered the marketplace touting higher quality ingredients.

The highest growth today is among product lines with unique, high-quality ingredients and formats that resemble human food. This growth reflects the large-scale “humanization” of pets.

Pet Food Processing magazine notes, “Pet parents who see their pet as part of the family seek an elevated mealtime experience and apply the same attributes that are important in their personal nutrition to their pets’ plates. This includes fresh, recognizable ingredients, nutritious proteins, and the importance of variety.”³



³ Source: Pet Food Processing, [Trends, Challenges and Opportunities in the Fresh Pet Food Space](#), July 18, 2023

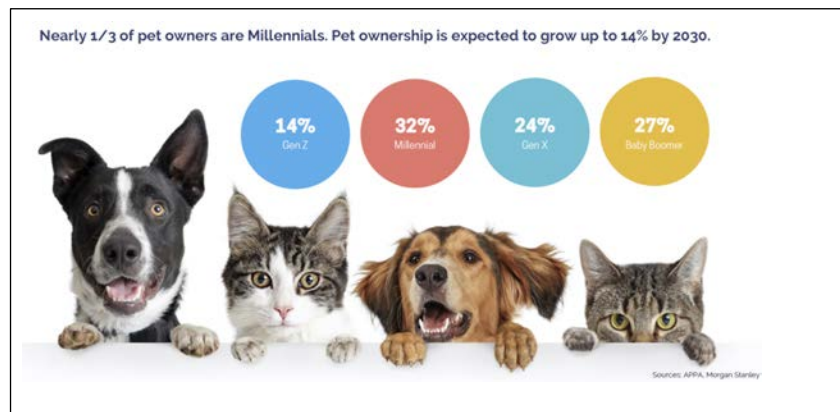
Scott Morris, founder, and CEO of FreshPet, a company specializing in refrigerated pet food, said, “Consumers are paying closer attention to where food is grown, how it’s sourced, and where it’s made. This includes more awareness of the benefits of foods that contain simple ingredients that are less processed and fresh. Those who are paying more attention to these details in turn expect more out of brands.”⁴

One 2019 research survey found that 43.6% of respondents indicated that buying healthy food was more important for their pets than for themselves.⁵

Younger shoppers are at the forefront of this sea change. According to the American Pet Products Association, 70% of these younger shoppers make purchases based on values like sustainability and environmental concerns.⁶

This creates a significant opportunity for smaller processors to offer high-quality ingredients and products that meet growing consumer demand for treats and foods with verified claims, such as organic, grass-fed, indigenous-raised, and regenerative.

Capturing that opportunity requires understanding both the regulatory environments, as well as the logistics of producing, distributing, and marketing pet products.



⁴ Source: Pet Food Processing, July 18, 2023

⁵ Source: National Library of Medicine, [Determinants Of Pet Food Purchasing Decisions](#), June 2019

⁶ Source: American Pet Products Association, “APPA Releases Generational Report on Pet Ownership, Purchasing Trends, Pet Food Processing.” n.d. [www.petfoodprocessing.net](https://www.petfoodprocessing.net/articles/15660-appa-releases-generational-report-on-pet-ownership-purchasing-trends). <https://www.petfoodprocessing.net/articles/15660-appa-releases-generational-report-on-pet-ownership-purchasing-trends>

Understanding the Regulatory Environment

Contrary to public perception, the pet food business is highly regulated. Ironically, those regulations come through a group that has no formal regulatory authority.

Pet food and treats are classified as animal feed. Animal feed regulations largely fall under the jurisdiction of state departments of agriculture, along with some oversight from the U.S. Food and Drug Administration. Without coordination, this could lead to more than 50 differing—and even contradictory—sets of regulations.



Slightly over a century ago, state feed officials realized that it made little sense to have a patchwork of different regulations across the country, so they organized a nonprofit organization called the Association of American Feed Control Officials, or AAFCO. The membership of AAFCO today is comprised of feed officials from all 50 states, along with some of the staff of FDA's Center for Veterinary Medicine.

These members meet twice a year to develop model regulations covering all types of animal feed, including food and treats for dogs and cats. The model regulations are then printed in the AAFCO Official Publication, which is issued annually. Because all states recognize AAFCO, that Official Publication serves as the *de facto* set of regulations for the pet products industry.

While the AAFCO model regulations allow for extensive latitude in producing pet treats, the rules are very stringent regarding the manufacture of pet “food.” That’s because the theory (if not the reality) assumes that dogs and cats receive 100% of their daily nutrition from the bowl of pet food that they are served once or twice each day. Accordingly, the regulations require the food formulation to be “complete and balanced” for each species and specific life stages (puppy, adult, etc.) by providing all of the nutrients in the proper balance as determined by the National Academy of Science’s *Nutritional Requirements for Dogs and Cats*.

Dog food produced with Tryptophan measuring less than 0.16% of the dry matter will not qualify as complete and balanced. Dog food with more than 1.6% phosphorus as dry matter? It, too, flunks the test. The tables include minimum and maximum levels for more than 42 amino acids, minerals, and vitamins. Treats and snacks, on the other hand, are viewed by the regulators as being “intended for intermittent or supplemental feeding,” and are not subject to the stringent oversight in terms of nutritional

composition. Many pet treats can be manufactured in the same facility, using the same equipment that is utilized to make human food products such as jerky and snack sticks.

Pet Food Requirements

As mentioned above, pet products must adhere to a strict set of nutritional requirements to be labeled as “food.”

An advisable first step if considering manufacturing any pet food products would be to obtain access to the AAFCO Official Publication. This publication is available online by becoming a member of the AAFCO “Feed Bin,” (a category for non-governmental officials).



Chapter Four of the Official Publication contains the “model” regulations that are followed by all state officials.

The information in this chapter includes information regarding the composition required to make front-label claims. For example, a product labeled as “beef adult dog pet food” must contain 95% beef, while including sufficient nutrients to qualify as a “complete and balanced formula” for adult dogs. A product labeled as “beef recipe adult dog” has to include at least 25% beef, while a product labeled as “made with beef” can contain as little as 3% beef. Other model regulations govern the use of terms such as “lean,” “100% nutritious” and others.

INGREDIENTS:

GROUND WHOLE GRAIN CORN, MEAT AND BONE MEAL (SOURCE OF CALCIUM), CHICKEN BY-PRODUCT MEAL (SOURCE OF GLUCOSAMINE AND CHONDROITIN SULFATE), CORN GLUTEN MEAL, ANIMAL FAT (SOURCE OF OMEGA 6 FATTY ACIDS (PRESERVED WITH BHA AND CITRIC ACID)), SOYBEAN MEAL, GROUND WHOLE GRAIN WHEAT, BEEF, NATURAL FLAVOR, DRIED PLAIN BEET PULP, SALT, BREWERS RICE, POTASSIUM CHLORIDE, LAMB MEAL, CALCIUM CARBONATE, CHOLINE CHLORIDE, DRIED PEAS, DL-METHIONINE, VITAMIN E SUPPLEMENT, MONOCALCIUM PHOSPHATE, ZINC SULFATE, YELLOW 6, DRIED CARROTS, L-TRYPTOPHAN, RED 40, YELLOW 5, NIACIN [VITAMIN B3], BLUE 2, D-CALCIUM PANTOTHENATE [SOURCE OF VITAMIN B5], COPPER SULFATE, VITAMIN A SUPPLEMENT, SODIUM SELENITE, POTASSIUM IODIDE, RIBOFLAVIN SUPPLEMENT [VITAMIN B2], VITAMIN B12 SUPPLEMENT, THIAMINE MONONITRATE [VITAMIN B1], VITAMIN D3 SUPPLEMENT, PYRIDOXINE HYDROCHLORIDE [VITAMIN B6], FOLIC ACID

All pet food and treat labels are required to contain eight specific types of information, including the name and purpose of the food, ingredients, feeding purposes, and guaranteed analysis. Appendix A contains information that AAFCO has developed on those labeling requirements.

Processors wanting to produce and sell pet food products may want to purchase the AAFCO Pet Food and Specialty Pet Food Labeling Guide, which is regularly updated to reflect any regulatory changes. Additionally, professional pet food formulators can be contracted to help you develop products that meet the nutritional requirements specified in the AAFCO Official Publication.

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Pet Treat Requirements



Pet treats are much easier to produce, and, with some exceptions, have a much lower bar for regulatory compliance. That's because treats are "intended for intermittent and supplemental feeding," according to the AAFCO guidelines.

Treats can often be made in equipment like smokers and dehydrators that may already be used for human food products. Smoked bones, jerky and dehydrated organs can all be packaged and marketed as pet treats. AAFCO's model

regulations specify, however, that treat labels meet all eight of the general requirements listed in Appendix A.

Exceptions to the "low bar" for regulatory compliance for pet treats arise when specific claims are included in the product label or marketing materials. For example, any dental or tartar control claims must be substantiated. And any claims implying specific health benefits may throw the product into the category of a health supplement, which will fall under a very stringent set of FDA regulations.

One claim that may easily be achievable for smaller processors is "Human Grade."

Under the AAFCO's model regulations, "the use of the term 'human grade' is only acceptable about the product as a whole."

"The feed term specifies that every ingredient and the resulting product must be stored, handled, processed, and transported in a manner that is consistent and compliant with regulations for current good manufacturing practices (cGMPs) for human edible food as specified in 21 CFR part 117."

In other words, every ingredient must be human grade, the facility in which it is produced must be USDA, CIS, or state inspected, and all handling and packaging must comply with requirements for human food. Most commercial pet food/treat manufacturing facilities and product formulas fail to meet this requirement. However, edible trim and byproducts handled in compliance with human food standards can be labeled and marketed as human grade.

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How Pet Food and Treat Regulations are Enforced

There is no pre-market label approval process for pet products. That means that products with questionable claims often end up on retail shelves. However, these products are regulated “aftermarket” by individual state feed control officials, most of whom are a part of the respective state Department of Agriculture.

Those officials can demand that mislabeled products be removed from commerce, which can be very costly to the producer in terms of costs and reputation. State feed officials also communicate readily through AAFCO channels, so a finding of mislabeled products in one state will generally result in adverse actions in other states as well.



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Market Channels for Pet Products



Processors with in-house retail shops can easily add a line of pet products to their fresh/frozen offerings of meat and poultry. Don't treat those products as an afterthought in terms of packaging and presentation. Just as you want to convey to your human customers that you are committed to quality meat and poultry, let your packaging communicate a similar commitment to quality products for their companion animals.

Distribution Beyond the In-House Retail Shop

There are six major marketing channels for pet products, and each has its own unique supply chain, distribution, and marketing focus.

Three of those channels, big box (e.g. Petco and PetSmart), retail grocery stores (e.g. Kroger and Walmart), and veterinary offices are not likely to market opportunities for smaller processors. However, the other three channels: independent pet stores, online sales, and feed stores, could be potential marketing outlets for your products.

Independent Pet Stores

Often referred to as Mom and Pop pet shops, independent pet stores were once the main alternative to buying conventional pet products in a grocery store. Like many other sectors, these shops are now feeling intense pressure resulting from the consolidation by major big box retailers like PetCo and PetSmart.

Most independent retailers now rely on offering customers unique products and personalized experiences lacking in big-box settings. Independent operators, however, are often limited in the number of products they can offer by the small square footage of their stores.

Getting those retailers to carry products from your processing plant will require strong attention to product development, packaging, and marketing. You'll need to give the independent pet store operator a reason to stock your product. It's important to note that

70% of Millennial and Generation Z shoppers—who now account for half of all pet owners—base their pet product purchases heavily on values like sustainability and environmental concerns.⁷

The fact that your products are locally produced may not be enough to convince shoppers that they are worth additional expenditures. Any additional claims regarding how the protein ingredients were sourced and processed will be important considerations.

Feed Stores

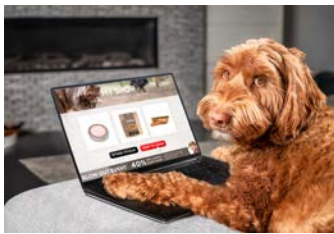
Farm and feed stores are an often-overlooked opportunity for selling pet products.



These outlets have traditionally been associated with low-price products in large quantities purchased primarily for farm dogs and cats. As more areas experience growth in ranchettes, hobby farms, and suburban development, shopper demographics are shifting in farm and feed stores.

Local and regional feed stores are searching for a way to separate themselves from Tractor Supply and other consolidating chains. Shoppers purchasing pet products in farm and feed stores will have less interaction with in-store personnel, so it's important to tell your story on the package and through any collateral marketing materials that the store may be willing to post.

Online Selling



While shoppers have been gravitating back to brick-and-mortar stores for groceries as fear of the Covid pandemic wanes, online shopping for pet products continues to climb. Fully 86% of pet owners now shop for their pets online.⁸ As with other channels, e-commerce in pet products is undergoing rapid consolidation with platforms such as

⁷ APPA [Releases Generational Report on Pet Ownership, Purchasing Trends | Pet Food Processing, 2022](#) .

⁸ Sources: Common Thread Co., Fortunly, Ensemble IQ, 2022

Chewy.com, PetSmart.com, and PetCo.com growing rapidly.

It's unlikely that meat and poultry processors would want to start an e-commerce site strictly for pet products. Enterprises already utilizing e-commerce to market and ship steaks, burgers, and roasts should consider adding pet products as an attractive line extension.

Ingredients for At-Home Meal Preparation



A growing number of consumers are convinced that Home cooking is the healthiest way to feed their pets. Earlier this year, the pet industry took notice as a start-up company, [Artie](#), introduced home cookers and recipe plans for preparing pet food in the home kitchen.

Many of these consumers fall into two general categories.

First is the person who wants their furry friend to mimic the diet that the rest of the family is eating. Those shoppers will likely be sourcing ingredients from your fresh meat counter. The second category includes people who want to replicate their pets' traditional diet. Those shoppers will actively look for organ meats to include in their pets' meal preparation. This may be an opportunity for marketing those items in outlets beyond your in-house retail store.

Marketing is Key

Telling a story that creates a point of difference is vital in building sales with pet products.

To market your products to independent retailers, be prepared to produce some sales sheets with key talking points that retailers can use to communicate your product attributes to customers. Spending time with those retailers to discuss your products can pay big dividends in terms of sales velocity.

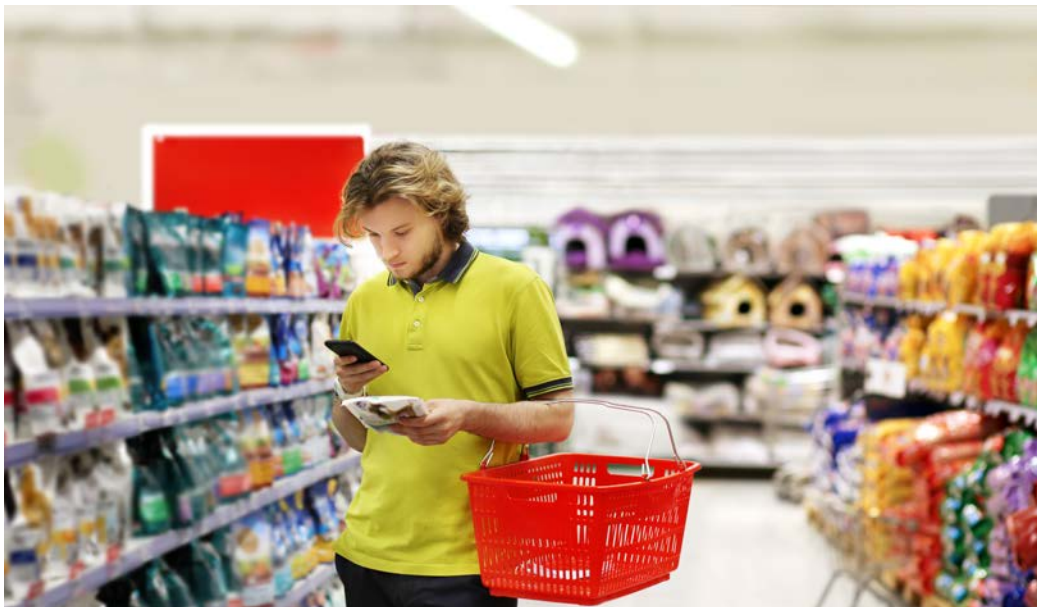
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Producing quality in-store sales materials will be important for any brick-and-mortar outlets. Just as with human food, a QR code that allows shoppers to learn more about your products will be important.

Sampling is perhaps the strongest way to introduce your products to prospective customers. Brandshare market consulting firm reported last year that a leading pet food brand distributed samples and branded inserts to a targeted audience of dog and cat owners through e-commerce packages. 85% of survey respondents had never heard of the brand before receiving the sample. Results included increased brand awareness, trial, and purchase intent.⁹

Producing samples for independent retailers to distribute will help introduce your products to their existing customer base. Processors with on-site retail stores can offer free samples to customers who come in to purchase meat and poultry products for their families. One challenge for creating small sample sizes may be the need for some specialized equipment and packaging. Smaller units of equipment can often be purchased at affordable prices.



⁹ Source: Brandshare First-Party Survey Data, 2022

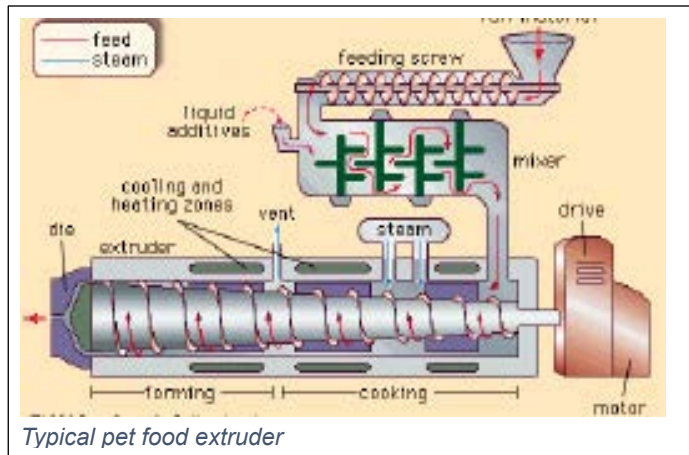
How Pet Products are Manufactured

Most ingredients do not travel directly from slaughterhouses to pet food manufacturers. Instead, they are collected by companies that specialize in pre-processing those ingredients for the manufacturers.

Some companies specializing in rendering are utilized in manufacturing most dog and cat kibble. Other companies specialize in producing slurries, which are a finely ground blend of the proteins needed for specific formulas. These slurries are then produced as nude frozen blocks, or as combos (large bins, usually weighing about 1,000 lbs.). Those companies will also produce ground and chopped ingredients which are used to make some wet (canned) products.

The manufacturers purchase the meals and slurries, along with other ingredients (corn, wheat, blueberries, etc.) from these pre-processors. The ingredients are then manufactured into dry or wet products.

Extruding and retort cooking have been the mainstays of pet product manufacturing for decades. Dry pet food is primarily manufactured utilizing extruders, which utilize steam and extreme pressure to cook the formula, comprised of the slurry, meal, and other ingredients. Canned products are primarily manufactured using retorts, which cook the product inside the cans.



Consumers are increasingly seeking alternatives to dry, extruded kibble, and canned “loaf” products. Freeze-dried (e.g. Open Farm and Nulo), dehydrated (Honest Kitchen), and baked (e.g. I&love&you) products have experienced rapid growth during the past decade. FreshPet, which specializes in producing refrigerated products in packaging resembling fresh ground meat, experienced sales growth of 25.6% from June 2022 to June 2023, according to a company news release.¹⁰

While producing some pet products may require specialized equipment such as meat separators and plate freezers, many items can be produced using equipment that already is utilized for human-edible products. That includes extruders (for chopped and formed jerky), smokers, and bowl choppers.

¹⁰ Source: FreshPet net sales up 25% to US\$183 mil in Q2 2023, August 14, 2023

In Summary

Companion animals and their owners provide increasing opportunities to gain value from meat and poultry items that may otherwise be sent to rendering companies or landfills.

Pet food production is a highly regulated business with tight nutritional requirements, and may be difficult for smaller processors to produce without outside assistance. Pet treats and chews, on the other hand, can often be produced utilizing existing processing and packaging equipment.

Success, however, requires communicating the “added value” of your pet products with today’s pet parents, either directly, or through educational and marketing materials.



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Appendix A: General Requirements for Pet Food and Pet Treat Labels

Courtesy of the American Association of Feed Control Officials (AAFCO)

1. Name (& purpose) of the brand/product -

[These rules address the use of ingredient names in the product name. How ingredients may be included in the product name depends on the percentage of that ingredient in the product, and the use of certain descriptors. For example, there are different rules for "Beef Dog Food", "Beef Recipe Dog Food", "Dog Food with Beef" and "Beef Flavor Dog Food". You should also specify the purpose of the product (nutrition, supplement, treat)]

2. Name of the animal species the product is for -

[This must be conspicuously designated in words on the principal display panel, but may be included in the product name, such as "Beef Dog Food" or "Salmon Treats for Cats"]

3. Net Quantity Statement -

[The net quantity statement tells the consumer how much product is in the container. It is the net weight or net volume, and it must be expressed in the correct units and placed on the lower third of the principal display panel. For net weight or volume, both avoirdupois ("pound/ounce") and metric units must be used.]

4. The Guaranteed Analysis (on an "as fed" basis) -

[This lists the percentage of each of the nutrients in the food. The minimum percent of crude protein and crude fat and the maximum percent of crude fiber and moisture are always required. Note that "crude" refers to the analysis method, rather than the quality of the nutrient. Guarantees for other nutrients may be required to support claims made in labeling (such as "High in calcium and vitamin A"), and you may include voluntary guarantees for other nutrients.

The guarantees must be given in a particular order, in specified units, and as a minimum or maximum, depending on the nutrient.]

5. Ingredient Statement -

[Ingredients must be listed in order of predominance by weight, on an "as formulated basis". The ingredient that makes up the highest percentage of the total weight as it goes into the product is listed first. The ingredients used must be GRAS ("Generally

Recognized As Safe), approved food additives or otherwise sanctioned for use in animal feeds (for example, defined by AAFCO). Ingredients must be declared by the correct AAFCO-defined name, where one exists, or the "common or usual" name.]

6. Nutritional Adequacy Statement, if required -

[If you call your product a complete and balanced food, the claim must be substantiated. The Nutritional Adequacy Statement will also state for which life stage(s) the product is suitable, such as for maintenance or for growth. This is a statement that indicates the food is complete and balanced for a particular life stage, such as growth, reproduction, adult maintenance or a combination of these, or intended for intermittent or supplemental feeding only. Products conspicuously identified on the principal display panel as a snack, treat, or supplement are exempt.]

7. Feeding directions, if required -

[All pet foods labeled as complete and balanced for any or all life stages must include feeding directions that, at a minimum, state "Feed (amount of product) per (weight) of dog/cat". Feeding frequency must also be stated. Feeding directions are optional for treats, as long as they are not complete and balanced and labeled as snacks or treats.]

8. Manufacturer's Name and Address -

[This names you or your company as guarantor of the product, and gives your or your company's location. The street address may be omitted the named entity is listed in the local telephone directory, but the city, state and zip code must be shown. If someone else makes the product for you, you must show that relationship by using the words "manufactured for:" or "distributed by:" in front of your address.

In addition to the required items, other aspects of the label may be conditionally required. For example, a "lite" or "low calorie" claim requires a calorie content statement following specified methods and format. The product must not exceed maximum calorie limits depending on the moisture content of the food and intended species.]

Appendix B: Useful Links and Resources

[Association of American Feed Control Officials](#)

AAFCO represents the de facto regulatory body for the pet industry. AAFCO's annual Official Publication is considered the industry bible for manufacturing all pet products. AAFCO also offers a helpful pet product labeling guidebook.

[How Do I Start a Pet Food Business? \(FDA\)](#)

The FDA is the primary federal agency overseeing pet product regulations. This document provides a helpful overview of the legal requirements for pet products.

[Pet Food Institute](#)

The Pet Food Institute is the primary advocacy organization for the pet food industry. They are a good source of information on any new developments for pet products.

[Pet Industry Distributors Association](#)

If you grow your business beyond your ability to distribute to outlets, you may want to engage a pet food distributor to service your customers. This site contains a directory of many of those distributors.