

Pet Food, Naturally

Innovations in natural, holistic and organic food come to the forefront.

By **Eve Adamson**

Michael Levy remembers a decades-ago revolution in pet food: the advent of the premium category that forever changed the face of the pet industry.

"It's probably been 40 years since Science Diet, Iams, Eukanuba and Nutro became available," says Levy, president and founder of Pet Food Express, a 32-store chain in San Leandro, Calif., and Pet Product News International's Retailer of the Year. "People moved from grocery store foods to premium and noticed a healthier coat, better energy levels and less poop in the yard. That was a huge jump at the time."

Today Levy sees another revolution, perhaps just as big, and certainly just as likely to create dramatic changes in pet health and safety: the change to natural, holistic foods. Today's newest, hottest pet foods might be organic, frozen raw, or filled with natural supplements like omega-3 fatty acids and glucosamine. Foods for dogs and cats as well as other pets like ferrets, birds and even fish all reflect the trend.

"It's the next phase, this jump into the holistic specialty foods," Levy says. "Today, that's where the growth is."

And people are buying.

"If you look at the figures published periodically by AC Nielsen or IRI, overall pet foods like the grocery store brands are flat, but the holistic category is growing by 20 percent to 25 percent," says John Marsman, director of marketing and nutritional services for Eagle Pack Pet Foods in Mishawaka, Ind. "Pet owners are going right to the natural and holistic category. Retailers know it and manufacturers know it, too, which is why the grocery brands are labeling foods to look more natural and holistic."

But if natural and holistic foods were big before (and they were), the trend has skyrocketed since the pet food recall this past March, facilitating higher profiles and new developments in the category.

"Since the recall in spring 2007, we've seen a huge acceleration in the growth of holistic foods," Levy says. "About 70 percent of the dog and cat foods we carry and the majority of our sales now fall into the holistic category."



Educating customers about holistic and organic food can help make the sale.

Chip Sammons, owner of the Holistic Pet Center in Clackamas, Ore., believes this growth is a positive consequence of a tragedy.

"The recall was a wake-up call for a lot of people," he says. "They are asking more questions, and they are actually acting on what they have known to be true all along, and that's good."

Here's what's new and what's notable, and how you can tap the trend.

Organic Gets Going

Organic has always been and continues to be a niche market, with relatively small numbers even within the natural and holistic pet category. But as the FDA's Pet Food Task Force continues to tweak the new definition of "organic" as it will apply specifically to pet food (this definition probably won't be official until 2008), companies are poised to jump onto the organic bandwagon.

"You'll definitely see a huge increase in organic companies when that definition comes out," says Jeffrey Brill, chief executive officer for Paw Naturaw in Lake Mills, Wis.

A natural for sensitive species like fish and herps, organic food may have seemed less necessary for dogs and cats—until the pet food recall. Because consumers equate organic with safety, organic pet foods have become a new priority for many. Already a growing trend, organic pet food sales totaled \$30 million in 2005, a 46 percent increase over 2004, according to the Organic Trade Assn.'s 2006 Manufacturer's Survey. Judging from retailers' post-

recall sales, that number is likely to spike for 2007.

Some predict a more permanent upward line.

"I see a significant take-off for organics," says Holly Sher, president of Evanger's Dog and Cat Food Co. in Chicago. "People are analyzing food like never before, and looking at every single ingredient. They want basic food they recognize, and organic foods offer that."

A growing number of consumers don't mind the higher cost of organic ingredients, either.

"What I hear over and over in some form is this: 'I don't care about cost. I want to do the best for my dog or my cat,'" says Marsman, who spoke to one woman who lost a dog to contaminated pet food and said she would have mortgaged her house to save her pet. "If they think organic food will keep their pets from harm, they will pay more."

On the other hand, in some markets, cost is an issue, says MeloDee Glaser, owner of Everything Pawsible, a boutique pet store in Salem, Ore.

"People are conflicted," she said. "They want to give their pets the very best, but they are watching their budgets, too. They want organic to be affordable. With gas prices up, I think people are more concerned about price than they were a year ago."

Raw Deal

A handful of words in the pet food vocabulary will set off a heated discussion these days. "Melamine" is one, of course, but another is "raw." Many veterinarians still oppose a raw diet

while others recommend it, but at the same time the FDA's salmonella testing program has forced at least one raw food manufacturer to make some changes.

Stephanie Nadeau, president of Wild Kitty in Kennebunkport, Maine—the only raw food manufacturer so far to be subjected to an FDA recall (no illnesses were reported related to Wild Kitty's food)—considers raw food an organic, holistic, natural diet for a cat.

"Cats don't have stoves," she says.

Yet when her foods (from USDA-inspected poultry plants under the USDA raw pet food inspection program) were found to contain salmonella, Nadeau decided to find a solution rather than go out of business.

Wild Kitty borrowed an organic cold pasteurization method from the human food industry for products like raw juice, guacamole and hummus that utilizes an ultra-high hydrostatic pressure process to kill pathogens by breaking the cell wall.

"It's clean and organic," Nadeau says. "I can see other companies turning to this process in the future if the FDA decided to go after more companies."

Another company uses low-temperature pasteurization to create an almost-raw product. Others don't worry about FDA intervention because they believe government will eventually accept the raw food juggernaut.

"Raw is a huge phenomenon embraced everywhere," Brill says. "When Oprah has it on her show, it's mainstream."

Nadeau agrees.

"People wouldn't be taking the so-called risk if there weren't noticeable and measurable benefits to the animal," Nadeau says. "The pathogen issue is the last bastion of what holds the veterinary and consumer communities from accepting what is possibly the best diet you could feed a cat or a dog. Solve it, and raw food survives."

Hypoallergenic Foods

One of the biggest trends in the last year has been hypoallergenic foods containing no grain or a single low-allergen grain and a single novel protein source, like venison, bison or fish.

"Even bigger than organic, from what I see, is grain-free," Levy says. "This is the largest

growth area within the holistic category."

Levy doesn't think the grain-free trend has much to do with melamine in wheat gluten.

"I think more than anything, the trend stems from pet allergies," he says. "If there is going to be a food-related allergy in a pet, chances are good it's going to be an allergy to grains."

Levy believes the grain-free trend is driven chiefly by results.

"A lot of the grain-free foods really perform," he says. "If switching to these foods solves a pet's problem, if the pet owner says, 'Hey, great, my pet isn't scratching any longer. The ear issues are gone,' then word gets around. It's a performance-based trend."

Hypoallergenic foods also tend to be attractively simple: One protein, with or without one grain, and little else other than vitamins and minerals required to make the diet balanced.

"Simple, simple, simple, that's what people want," Sher says. "They want to be able to read the label and know what everything is."

Retailer Opportunity

As consumers demand better and better foods, independent retailers have a real opportunity, Levy says.

"What we can do better than anybody else is talk to our customers," he says. "We can flip the bag and point out the differences in the foods. Obviously, the independents have to be educated on what they carry and what the competition carries, but you can carry the foods that way out-perform the Wal-Mart and super-market foods."

Post-recall, the conversation continues, Glaser says.

"I'm still getting a lot of questions, people stopping by to talk about pet food," she says. "People are making the big switch to better foods."

According to Marsman, that means retailers need to get educated, and fast.

"Your growth is going to come from the holistic and natural food categories," he says. "If you are up to snuff or preferably ahead of your customers so they can go to you for information, if they can trust you and the food you stock, then your customers will know they won't have to worry. They'll know they are shopping in the right place."