Issue 4 Fall 2011

PFI MONITOR

The official publication of the Pet Food Institute

AAFCO, a colorful history

Emerging markets fuel global pet food growth

Pet foods, a highly regulated food product

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About the Pet Food Institute

The Pet Food Institute (PFI) represents the companies that make 98 percent of the cat and dog food in the U.S. market. In 2010 domestic retail sales of pet food totaled $18.3 billion, and pet food companies exported an additional $1.2 billion in products from the United States. PFI has served as the voice of U.S. pet food manufacturers since 1958.

PFI MONITOR

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Chairman's message

Dan Rajczak
Chairman
Pet Food Institute

PFI leads our industry through a time of change

I assume the chairmanship of PFI amid a time of profound transition. The pet food industry, like the overall food sector, is reviewing and strengthening procurement, handling, manufacturing and distribution practices in preparation for the expanded requirements of the Food Safety Modernization Act (FSMA), the new food safety law enacted earlier this year. In addition, we face an increasingly dynamic global pet food market, with changing importation and regulatory requirements.

PFI serves our industry well by enabling us to work together to respond to these and other challenges.

Over the past four years, PFI has launched several initiatives to help our industry contend with the challenges we face in a unified and strategic manner. In 2007 PFI established its Product Safety Subcommittee which was tasked by the board of directors to develop model best practices. The result was two guidance documents that can be used by PFI members in their production facilities.

Two years ago PFI expanded its outreach with two strategic efforts: relaunching *PFI Monitor* as a semi-annual magazine, and teaming up with its strategic ally, National Grain and Feed Association, to re-envision its annual meeting. The success of these efforts cannot be disputed. Those who attended the Feed and Pet Food Joint Conference in Kansas City this September saw the exciting results: significantly increased attendance over the previous meeting concept, expanded depth and breadth for session topics, a sold out exhibit hall with booth space added to accommodate the level of interest, and renewed excitement and momentum.

Last year PFI brought together representatives from seven other national and regional pet food associations for the first ever global, industry-wide meeting – the Global Alliance of Pet Food Associations. The second meeting of the GAPFA was recently hosted by FEDIAF, the European pet food association. Several committees were formed at that meeting to explore the potential for establishing global consensus on food safety practices, nutritional requirements and trade rules. PFI will lead the committee tasked with assessing a) published literature and b) established nutritional guidelines for pets.

And of course, PFI will continue to work to assist our industry in understanding and meeting the regulatory requirements that will be announced in phases over the next couple of years as a result of FSMA.

PFI is better positioned than ever before to bring together our industry to develop consensus on matters of mutual concern and to represent our views to outside parties. I look forward to the opportunity to lead PFI during this dynamic time.

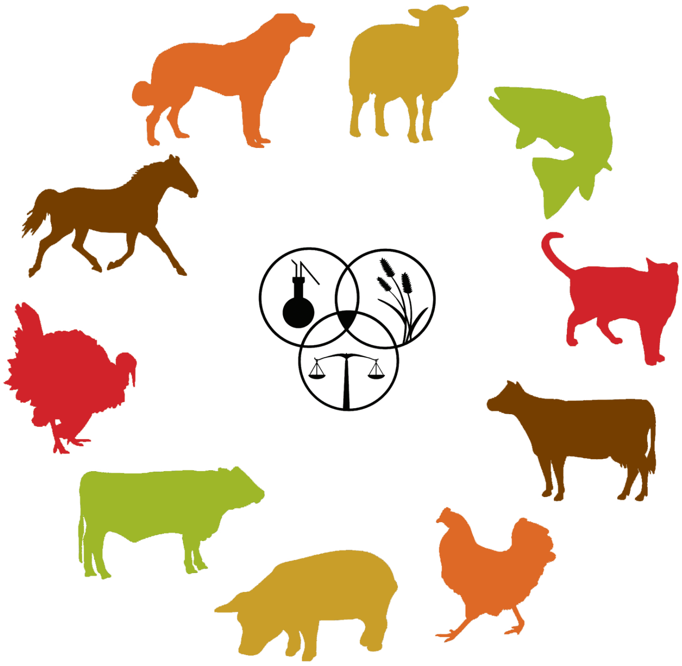
Dan Rajczak
PFI Chairman

Inside...

AAFCO
Association of American Feed Control Officials

"Feed Safety & Consumer Protection – Over a Century of Partnership & Progress"

AAFCO, a colorful history



The fingerprints of the Association of American Feed Control Officials, or AAFCO for short, can be found on virtually every cat and dog food product sold in the United States. Nutritionally complete and balanced products specifically reference the name of the organization on their label. Even those products that do not bear AAFCO's name have been affected by the organization's regulations and guidelines, which set the requirements and framework for product labeling.

AAFCO has been defining ingredients that may be used in pet food and animal feed for 100 years. In 2011 the number of AAFCO-defined or recognized ingredients and feed terms has grown to more than 1,000. Although AAFCO has played a role in the regulation of animal feed – and consequently pet food – in the United States for more than a century, the organization is not well understood by the public, and sometimes not even by elements within the pet food community.

Not a regulatory authority

Perhaps the most confusing fact about AAFCO is that it is not a regulatory authority, rather AAFCO carries out indirect regulatory authority through state laws and regulations as well as through working agreements with FDA.

"In recent years several products have appeared on the market claiming to be 'AAFCO certified.' While AAFCO is referenced on products for claims about nutritional completeness, AAFCO doesn't certify products, and therefore such a claim is misleading to consumers. When state regulators see such claims, we take appropriate action against the products," said Chad Linton, president of AAFCO and assistant director of the Regulatory & Environmental Affairs Division of the West Virginia Department of Agriculture.

Duane Ekedahl, president of PFI, explained that the lack of direct regulatory authority

Earlier this year, AAFCO launched its Business of Pet Food website

www.petfood.aafco.org.

underplays AAFCO's significance. "AAFCO is akin to an association of sheriffs. The organization itself may not have authority to directly enforce the law, but its members certainly do. It is the coordination of state requirements within AAFCO that effectively established national regulations for pet food decades ago."

AAFCO brings together state and federal regulators so they can develop consensus on matters relating to the formulation, manufacture, labeling and marketing of pet food and animal feed products. Industry experts may offer input to the deliberations of AAFCO committees as advisors, although they are not permitted to vote. Often consensus is codified within one of several documents developed by the organization: the Model Bill; Model Regulations for Pet Food and Specialty Pet Food; or the Pet Food and Specialty Pet Food Labeling Guide. Regulators then take these documents back to their states for implementation either through the legislative process or rulemaking. Every year changes to the AAFCO documents are printed in the organization's "Official Publication," or "OP." At least one state, Iowa, has a statute in place causing it to automatically adopt the regulatory provisions in the latest OP each year.

"Even states that have not adopted the AAFCO models into law or regulation will use them as a guide because they provide uniformity and clarity in the states," said Liz Higgins, chair of the AAFCO Pet Food Committee.

AAFCO's work has resulted in de facto national regulations for pet food. Without that work, there would have been much uncertainty in the marketplace for companies and consumers. Each state would establish its own regulations, perhaps without regard to what other states have in place. Consumer protections and requirements on manufacturers, which practically speaking are nationwide under the current system, would be fractured with significant gaps without AAFCO.

States come together

Massachusetts was the first state to enact a feed law in 1896, and other states quickly followed suit. Maine and Vermont passed their laws in 1898. Laws specific to feed were passed in Connecticut, New York and Rhode Island in 1899, although an 1895 Connecticut law applied to food for human and animals. By 1920, an additional 26 states would enact a feed law. These early laws were not necessarily consistent, nor were enforcement activities.

AAFCO was born out of an impromptu gathering of state control officials in the fall of 1909. Earlier that year feed manufacturers worked together with distributors and retailers of feedstuffs to establish the American Feed Manufacturers Association (AFMA). AFMA organized a second meeting in Washington, D.C. in September in part to discuss inspection laws and enforcement activities. State regulators and representatives from the U.S. Department of Agriculture were invited to attend the meeting.

A number of the participating control officials wanted to continue their discussions about regulatory issues with their colleagues from other states after the AFMA meeting adjourned. Regulators from eight states – Connecticut, Kansas, Kentucky, Massachusetts, New Jersey, New York, Pennsylvania and Virginia – came together after the meeting. At the gathering, one feed

AAFCO Timeline

1900

1909
Association of Feed Control Officials is established

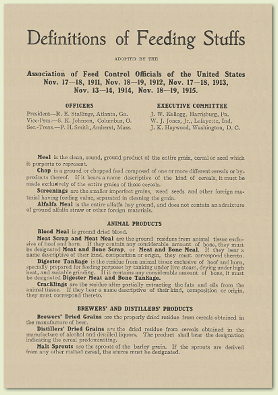
1910

1912
Register each brand

1912
Prohibition on "sliding scales" (15-18% protein, etc.)

1915
Unanimous disapproval of using descriptive terms for ingredients when less than 2% of a feed

1915
First AAFCO definitions



Definitions of Feeding Stuffs

ADOPTED BY THE

Association of Feed Control Officials of the United States
Nov. 17—18, 1911, Nov. 18—19, 1912, Nov. 17—18, 1913, Nov. 13—14, 1914, Nov. 18—19, 1915.

OFFICERS	EXECUTIVE COMMITTEE
President—R. E. Stallings, Atlanta, Ga.	J. W. Kellogg, Harrisburg, Pa.
Vice-Pres.—S. K. Johnson, Columbus, O.	W. J. Jones, Jr., Lafayette, Ind.
Sec.-Treas.—P. H. Smith, Amherst, Mass.	J. K. Haywood, Washington, D. C.

Meal is the clean, sound, ground product of the entire grain, cereal or seed which it purports to represent.

Chop is a ground or chopped feed composed of one or more different cereals or by-products thereof. If it bears a name descriptive of the kind of cereals, it must be made exclusively of the entire grains of those cereals.

Screenings are the smaller imperfect grains, weed seeds and other foreign material having feeding value, separated in cleaning the grain.

Alfalfa Meal is the entire alfalfa hay ground, and does not contain an admixture of ground alfalfa straw or other foreign materials.

ANIMAL PRODUCTS

Blood Meal is ground dried blood.

Meat Scrap and Meat Meal are the ground residues from animal tissue exclusive of hoof and horn. If they contain any considerable amount of bone, they must be designated **Meat and Bone Scrap**, or **Meat and Bone Meal**. If they bear a name descriptive of their kind, composition or origin, they must correspond thereto.

Digester Tankage is the residue from animal tissue exclusive of hoof and horn, specially prepared for feeding purposes by tanking under live steam, drying under high heat, and suitable grinding. If it contains any considerable amount of bone, it must be designated **Digester Meat and Bone Tankage.**

Cracklings are the residue after partially extracting the fats and oils from the animal tissue. If they bear a name descriptive of their kind, composition or origin, they must correspond thereto.

BREWERS' AND DISTILLERS' PRODUCTS

Brewers' Dried Grains are the properly dried residue from cereals obtained in the manufacture of beer.

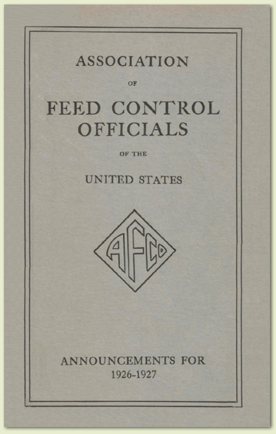
Distillers' Dried Grains are the dried residue from cereals obtained in the manufacture of alcohol and distilled liquors. The product shall bear the designation indicating the cereal predominating.

Malt Sprouts are the sprouts of the barley grain. If the sprouts are derived from any other malted cereal, the source must be designated.

1917
First mention of pet food in regulations

1920

1926
First published book

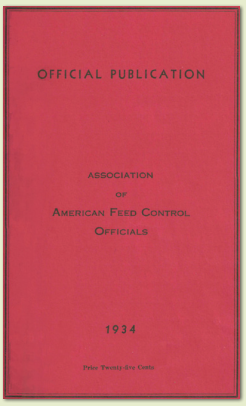


1930

1931
Disallowed use of artificial colors, later allowed use of FD&C certified dyes

1933
Prohibited the word "pure" in brand names

1934
First *"Official Publication"*



1939
Prohibited advertising on feed labels

1940

>>

control official in particular, Dr. E.B. Voorhees of the New Jersey Agricultural Experiment Station, argued that control officials should have their own organization given the industry already had one. During the meeting a committee was appointed to take the actions necessary to formally establish the Association of Feed Control Officials (AFCO), the original name of AAFCO.

The following year, at its next meeting, AFCO proceeded with developing a constitution and bylaws. Representatives from 15 states participated in the second meeting along with officials from the federal government and industry. The organization also drafted a "Proposed Uniform Concentrated Commercial Feeding Stuffs Law."

By 1915 the work of the organization already resembled the activity of the contemporary AAFCO. At its meetings between 1911 and 1915, AFCO adopted its first official definitions, including for "meal," "cracklings" and "distillers' dried grains."

Just a few years later, in 1917, the first specific reference to pet food in the AFCO regulations appeared. That same year a prohibition on products containing more than 60% moisture was deleted from the Uniform Feed Bill to accommodate the development of canned food products for pets.

In 1920 AFCO published its first book, comprised of the proceedings of its annual meeting and a compilation of feed definitions and the feeding stuffs law. This early publication, just 48 pages in length, provided a revenue stream to the organization through sales to members of the feed industry.

The name "Association of American Feed Control Officials" was adopted in 1929. Five years later AAFCO would print the first annual book designated as its "*Official Publication*."

Pet food activities expand

Over the years the organization's activities broadened and the Model Bill evolved.

In 1930 the Check Sample Program was begun to evaluate whether products are in compliance with their nutritional guarantees. In 1933 the word "pure" was prohibited from inclusion in brand names. AAFCO took action to prohibit advertising on feed labels in 1939. Yet despite the activity of the association in other areas, little work was done on pet food until 1954, when the Pet Food Committee was established.

In 1958 the Pet Food Institute was established after pet food companies realized they needed their own association outside of AFMA to separate themselves from livestock feed. Among PFI's first actions was to develop a glossary of pet food terms and a label guide, both of which were presented to AAFCO in 1960. The glossary and label guide reflected a substantial shift from livestock feed regulations because pet foods are made through more complex processes that incorporate more ingredients than livestock feed and because they must be understood by pet owners, who represent a larger portion of the public. Pet foods are designed to be the sole source of nutrition for the lifetime of the pet.

The PFI pet food glossary and label guide were created by PFI's founders in an effort to confront issues that were simmering in the marketplace. The PFI-developed rules outlined how companies could responsibly and honestly communicate with the public, including their customers.

When an AAFCO program to review pet food labels was initiated in 1962, the PFI label guide was used along with AAFCO policy statements from 1961 to assess regulatory compliance.

The PFI label guide represented a marked separation of pet foods from other animal feeds. The preamble emphasized five principles:

1. Basic marketing situations require rules and interpretations that are not equally applicable to farm feed.
2. Many pet foods sold possess important distinguishing characteristics and the label should accurately, fairly and completely inform the purchaser as to the product.
3. The label is neither useful nor informative if it is misleading.
4. Proper labeling requires a high standard of integrity and fairness beyond technical truth and accuracy.
5. The most important consideration is the message conveyed by a quick look at the whole label.

Since that time, pet food products have been required to comply with numerous specific labeling provisions that have expanded over time. Requirements in place since the development of the labeling guide included: featuring specific language to identify it as either cat food or dog food, showing the net weight, listing all ingredients and providing a guaranteed analysis for crude protein, crude fat and crude fiber. In this context the term "crude" refers to the testing method used to measure the amount of protein, fat or fiber in a product. In no way does the term refer to the quality of the nutrients.

In 1966 PFI delivered to AAFCO pet-food-specific regulations for consideration. The draft regulations incorporated provisions from the PFI label guide and the AAFCO policy statements that had been used for assessing cat and dog food labels. The following year the first "Model Pet Food Regulations" were adopted by AAFCO.

The current AAFCO regulations for cat and dog food are listed in the OP as "Model Regulations for Pet Food and Specialty Pet Food under the Model Bill." These model regulations are organized in 10 sections and are listed as PF1 through PF10. Accompanying the regulations are "Guidelines for Tartar Control Claims," "Guidelines for 'Natural' Claims," and "AAFCO Dog and Cat Food Substantiation Methods," which relate to product nutritional content. The pet food regulations are applied under the "Model Bill" and "Model Regulations under the Model Bill." Pet food products must comply with the requirements contained within the two latter documents so long as they are consistent with the pet food regulations. In the event of a conflict in the provisions of the three documents, it is the more pertinent pet food regulations that apply.

In 1969 AAFCO took a major step when it adopted definitions for "complete" and "balanced" as part of the pet food regulations. Over time the nutritional adequacy regulation evolved to allow for two

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AAFCO Timeline (continued)

1950

1954
Limited fat content in pet foods to 50%

1959
PFI developed a glossary of terms and a label guide

1954
Pet Food Committee formed

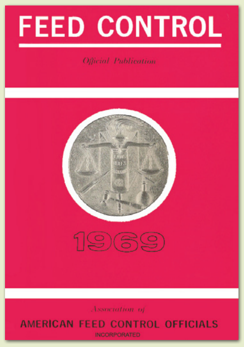
1959
First "label review" meeting with manufacturers
Original classifications
General use (cereal base)
Medicated pet food
Special dietary pet food
Supplemental pet food- primarily meat, fish or poultry
Miscellaneous pet food – treats or candies

1960

1960
PFI presents glossary of terms and label guide to AAFCO

1966
PFI sends first draft of proposed pet food regulations to AAFCO

1969
"Complete" and "balanced" defined



1962
AAFCO began reviewing pet food labels using PFI guidance and AAFCO policy statements from 1961

1967
Model Pet Food Regulations adopted

1969
Percentage content rules developed

1969
Animal protein products begin to be defined

1970

1972
Water Sufficient for Processing

1974
Mineral supplements

1973
Supplemental vs. Complete and Balanced discussed

1974/1975
Collective terms disallowed

1980

1980s
Began National Research Council reviews

1985/1986
NRC "Nutrient Requirements" for dogs/cats published

1980s
Amino Acid research for requirements
Propylene glycol research
Feeding directions

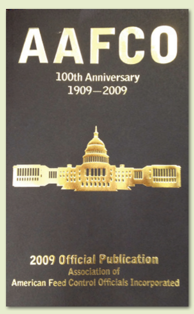
1990

1990s
Descriptive terms
Voluntary Calorie Statements
Aspic and gravy
"With" descriptor

1990s
"Product Families"
Revision of the protocols
Developed profiles

2000

2000s
Mandatory Calorie Statements
Carbohydrates
Review of National Research Council documents
Review of protocols and profiles



2010

Pet food industry turns out for second PFI-NGFA Joint Conference

Food safety practices, preparation for FSMA top the agenda

For the second year, PFI and the National Grain and Feed Association (NGFA) hosted a joint conference for the makers of pet food and animal feed as well as for their suppliers. The Feed and Pet Food Joint Conference was held in Kansas City, Mo. from September 14 – 16, 2011.

Much of the Joint Conference focused on new regulatory requirements confronting both industries as a result of the Food Safety Modernization Act (FSMA). To help companies prepare for FSMA, the conference kicked-off with an interactive workshop led by industry experts on building the basics of an animal food safety plan.

David Hoogmoed, chief operating officer, feed of Land O'Lakes Purina Feed LLC and vice chairman of NGFA, delivered the keynote address on factors shaping the future of the both industries. Dr. Dan McChesney of the FDA Center for Veterinary Medicine's Office of Surveillance and Compliance provided an update on the agency's priorities for implementing the requirements of FSMA. Matt Frederking of Ralco Nutrition Inc. presented on how to apply HACCP principles when analyzing hazards and implementing risk-based controls. Wayne Matelski of Arent Fox led an interactive session about FDA's new powers to access records, inspect facilities, and order recalls.

Presenters on non-regulatory topics included: Bill Lapp of Advance Economic Solutions who discussed the cost and supply of grains and other key ingredients in 2012; Tim Hendra of Neogen Cooperation who reported on crop quality and mycotoxin prevalence; and David Harlan of Cargill Inc. who updated attendees on efforts to establish voluntary international animal food safety prerequisite standards.

Unique this year, PFI organized a conference track focused on export opportunities for U.S. pet food companies. It was also open to feed manufacturers and ingredient suppliers. PFI brought to the Joint Conference importers and distributors from each of the regions where it carries out its Market Access Program. Conference attendees were provided an opportunity to schedule private meetings with the participating importers and distributors to discuss potential commercial arrangements.

Beyond information sessions and meetings, a major draw of the event was a sold-out trade show where 45 exhibitors set up booths showcasing their services to the pet food and feed industries.

Next year's Joint Conference will be in St. Louis, Mo. from October 9-11, 2012.

Matt Frederking, Ralco Nutrition, discussed applying HACCP principles when analyzing hazards and implementing risk-based controls.

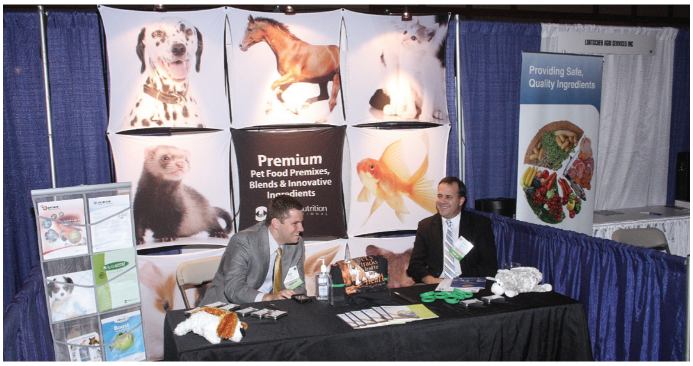
Bill Lapp, Advanced Economic Solutions, outlined availability and costs trends for grains and other key ingredients.

Interactive Food Safety Workshop

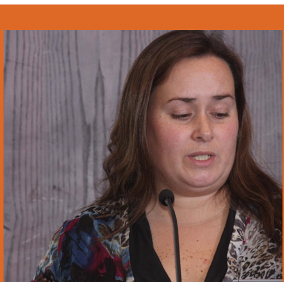
A bonus session was offered complimentary to attendees Wednesday afternoon, "Building the Basics of an Animal Food Safety Plan." The workshop explored case studies to help attendees enhance their knowledge on the use of risk-based approaches when developing good manufacturing practices and other predicate product safety programs.

Save the date!

Next year's Feed and Pet Food Joint Conference will be held in St. Louis, Mo. October 9-12, 2012.



PFI Export Exchange and Market Access Program


María José Arrau, Chile


Barbara Lee, China

PFI organized the Export Exchange to enable U.S. pet food companies to meet one-on-one with potential importers and distributors from the markets where it administers its Market Access Program. PFI's foreign representatives *(see photos left, below and right)* presented on export opportunities in each market.

Since 1993 PFI has participated in USDA export promotion programs. Currently PFI participates in the Market Access Program (MAP), which is active in Chile, China, Japan, Mexico, Philippines, Taiwan and five countries in Central America (Belize, Costa Rica, El Salvador, Guatemala and Panama). MAP is funded through a grant received from USDA and through matching funds provided by PFI and the broader industry.

PFI's MAP promotes exports of U.S. pet food by educating consumers in foreign markets in order to build demand and by addressing barriers to U.S. products. *For more information on the Market Access Program visit www.fas.usda.gov/mos/programs/map.asp.*


Armando Magallanes, Mexico


Arel Virtusio, Philippines


Yuko Adachi, Japan


Jean Tang, Taiwan


Monica Moreno, Central America


Pet food company representative discusses a potential business arrangement.

Surge in Emerging Market Demand Key to Strong Global Growth in Pet Food

By Emily Woon

Despite economic weakness and consumer uncertainty in North America and Western Europe, strong economic growth and significant social change in emerging markets are driving strong growth in global pet food sales.

Latin America and Eastern Europe are growth hotspots

The global pet food market continues to perform well in a difficult economic environment, with Latin America and Eastern Europe both recording double-digit growth in 2010, according to Euromonitor International data. While the North American and Western European markets continue to account for the bulk of global shares, their dominance is gradually being eroded. Between 2006 and 2011 (forecast figures), the proportion of overall global pet food value sales accounted for by these two regions declined from 68% to 63%.

In emerging markets as varied as Brazil, Poland and Thailand, strong economic growth is driving significant gains in household incomes and leading to the emergence of a much broader middle-class. For example, the proportion of Polish households with an annual disposable income of at least US$45,000 (at purchasing power parity) jumped from 12% to 20% between 2005 and 2010.

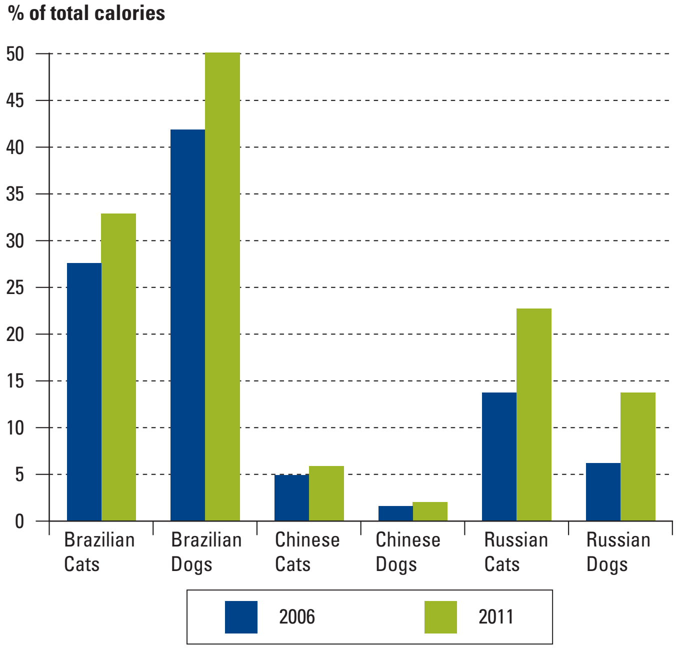
The impact of this income growth on pet food demand has been reinforced by a variety of socioeconomic trends, such as smaller household sizes and higher levels of urbanization, all of which are helping to give pets a more prominent place in many households. For example, the average number of occupants per household in Thailand declined from 3.7 to 3.5 between 2005 and 2010, while the number of Brazilians living in urban areas rose from 151 million to 161 million over the same period.

Both pet populations and market penetration of prepared food on the rise in emerging markets

With households in these markets becoming both smaller and more urbanized, pet ownership is growing in popularity. According to Euromonitor International data, Thailand's pet population jumped from 10.3 million to 12.9 million between 2005 and 2010, while that of Brazil increased from 79.1 million to 92.3 million.

Just as importantly, the proportion of owners feeding their dogs and cats prepared food is also on the rise in many emerging markets. The proportion of calories fed to Russian dogs accounted for by prepared food increased from 6% to 14% between 2005 and 2010, while the proportion for cat food jumped from 14% to 23% over the same period. However, in some markets, the penetration of prepared products remains extremely low. In China, for example, just 6% of food consumed by cats and 2% of food consumed by dogs during 2010 was accounted for by prepared products.

Proportion of Calories Consumed by Pet Dogs and Cats Accounted for by Prepared Food in Brazil, China and Russia: 2006 and 2011



Source: Euromonitor International from trade sources/national statistics

Brazil is the star performer

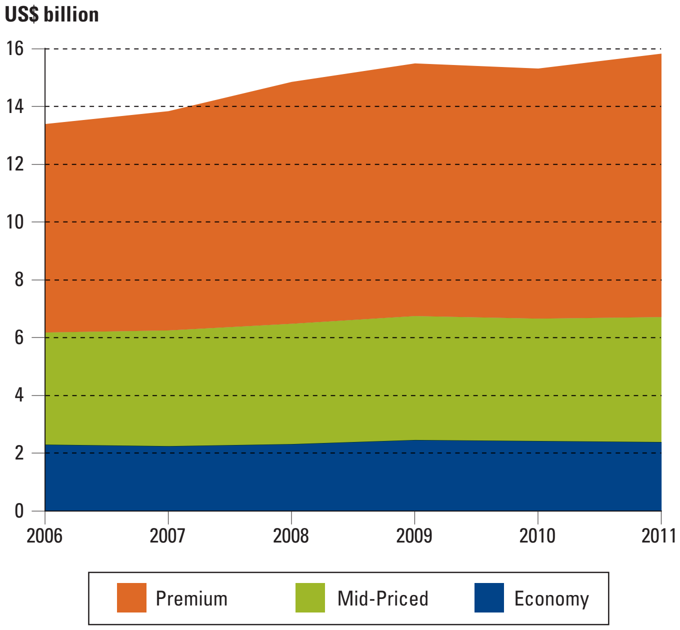
These factors have combined to drive spectacular growth in value sales of dog and cat food in such markets as Thailand (a real compound annual growth rate or CAGR of 10.3% over 2006-2011), Mexico (8.1%), Romania (7.7%), Russia (7.7%) and Brazil (7.7%). Brazil is undoubtedly the star performer in global dog and cat food, having grown by almost 45% in real terms, from US$3.8 billion (in 2011 prices) to US$5.5 billion, between 2006 and 2011. In the process, it overtook both the UK (with predicted real value sales of US$4.2 billion in 2011) and Japan (US$4.5 billion) to become the second largest dog and cat food food market in the world, behind the U.S. (US$18.6 billion).

According to Dr Valter Yoshio Hato, the co-owner of a veterinary clinic in São Paulo, "People who have chosen not to have children, often they have a pet to fill the void where there's no child, and because it's just like a child, people don't spare any expense, they spend".

In mature North American and Western European markets, premiumization is key to growth

While growth is much more sluggish in the mature North American and Western European regions, many owners are increasingly indulging their pets in spite of uncertain economic conditions. This has driven strong growth in value sales of premium dog and cat food. According to Euromonitor International data, over the 2006-2011 period, sales of economy dog and cat food in the U.S. declined and those of mid-priced products rose only modestly, while the value of sales of premium products grew by 16% in real terms, to US$9.1 billion.

Value Sales of Dog and Cat Food by Price Point (excluding treats and mixers) in the U.S.: 2006-2011



Source: Euromonitor International from trade sources/national statistics

"Alternative" products particularly popular in North America

As a result, the proportion of overall dog and cat food sales accounted for by premium products grew from 54% to 58% in the U.S. So-called "alternative" pet foods, such as "human-grade," raw and holistic products, have been at the forefront of this growth. In fact, demand for organic, raw and gluten-free is soaring. This is partly due to the lasting impact on some consumers of the 2007 pet food recalls related to melamine.

Functional ingredients target obese and aging pets

Demand for therapeutic products also remains strong, with offerings promising to help obese and aging pets proving particularly popular.

This is not surprising given the significant health consequences of pet obesity. A 14-year-long study published in the *Journal of the American Veterinary Association* in late 2010 found that a 25% restriction of food intake (or maintaining an ideal body condition throughout a dog's life) increased the median lifespan of a dog by 1.8 years and delayed the onset of chronic disease symptoms. The rise in pet obesity is also leading to an increase in the prevalence of such conditions as diabetes, osteoarthritis, tears to the anterior cruciate ligaments, heart and respiratory disease and pancreatitis.

More generally, functional pet food offerings which address different health conditions and dietary needs are becoming more age-, breed- and lifestyle-specific in terms of both their formulation and positioning.

But recession has had an impact on volume demand at lower end of the market

According to a survey conducted by *Consumer Reports* during mid-2011, only 16% of Americans reported that they spent less money on their pets at the height of the recession in 2009 and 2010. Nonetheless, the sluggish U.S. economy has had a noticeable impact on the lower end of the market, where the foreclosure crisis in the housing market and rising levels of unemployment have led to a marked increase in pet abandonment. According to the *Las Vegas*

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Keeping our companions healthy

AVMA, AAHA launch Partnership for Preventive Pet Healthcare

Research shows a startling revelation that while the pet population increased over the past decade, veterinary visits declined putting the health of dogs and cats at risk for a growing number of preventable diseases.

These findings prompted the American Veterinary Medical Association (AVMA) and the American Animal Hospital Association (AAHA) to create a new foundation called the Partnership for Preventive Pet Healthcare (PPPH), which was first unveiled at the AVMA Convention in St. Louis, MO during the summer and publicly announced this fall.

For the first time, the two associations have collaborated to jointly author, new clinical practice guidelines that are being distributed widely to veterinarians and pet owners underlining the importance of preventive healthcare for pets.

"The guidelines are extremely important because we know that fewer and fewer pet owners are bringing their cats and dogs in for regular preventive care. Experts agree that regular visits are essential in preventing health problems such as ear infections, dental disease and obesity," noted Dr. Rene Carlson, AVMA president.

The specific Canine and Feline Preventive Healthcare Guidelines, published by the PPPH, are a tool to help ensure complete checkups by providing a springboard for veterinarians to explain to their clients the importance of each item in the preventive care checkup, without being overly prescriptive. (Each set of Guidelines is two pages...can include graphic or electronic link)

Dr. Michael R. Moyer, AAHA president, said, "We're seeing some evidence in some data sets of increasing disease prevalence, and these diseases are the kind of things that are very easily preventable. We know that we have tremendous value to offer our patients, but we have more to do as a profession to communicate that value, the importance of those preventive care visits and what we do during these visits, to pet owners."

Nearly 20 animal-health companies – representing pharmaceutical, pet food, pet insurance, corporate practice and distribution – support the multi-year initiative of the PPPH to not only engage the veterinary profession but to ultimately drive pet owner awareness of the value of preventive healthcare.

To find out more about the vision of improving the overall health of the pet population and to register for updates visit www.PetHealthPartnership.org. The Canine and Feline Preventive Healthcare Guidelines can be downloaded at: www.pethealthpartnership.org/media.php

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The American Animal Hospital Association recommends five vital assessments of patient health at every examination to ensure the highest standard of care. Nutrition is the newest assessment acknowledging it affects the health of a dog or cat through life and can play a vital role in clinical outcomes.

- Nutrition
- Temperature
- Cardio function
- Respiratory health
- Pain

Source: www.everypeteverytime.com

Like people, dogs and cats need good nutrition and regular exercise. Promoting this healthy lifestyle not only establishes the bond between pet and owner but also helps to foster a life-long relationship and loving companionship.

Here's just a few healthy pet guidelines to actively engage you and your pet:

Dog Exercises:

- Basic obedience training
- Teach your dog to swim
- Play hide and seek to engage the brain
- Run, walk or bike with your pooch
- Engage in dog sports, like flyball, chasing a flying disk, earthdog, tracking and agility challenges
- Try doggy yoga, or Doga, a rising trend across the country to relax and exercise with your pet

Cat Exercises:

- Pair up cats for their own wrestling and chasing games
- Set up a cat tower with small treats to encourage climbing and playing
- Keep plenty of household toys around to encourage play
- Try a laser pointer or wand-style toy for interactive exercise with your feline
- Tempt your cat with hidden treats in a toy for batting and knocking practice
- Proper training can "lead" to leash-walking if your cat can tolerate a harness.

(Source: WebVet 2011 Everyday Health Inc.)

Tools for mycotoxin awareness

Mycotoxin contamination in grain and grain ingredients has grown into a worrisome issue this harvest due weather conditions that have caused increased prevalence and the presence of multiple toxins.

Several resources are available to help educate grain buyers. Predictive tools can be used because the molds that produce the toxins are very dependent upon weather conditions. For example, the Aspergillus molds that form aflatoxin thrive in high temperature, low moisture environments; while the Fusarium molds responsible for DON, as well as other crop quality issues, develop in cool (<70°F) and wet conditions.

Before scrutinizing any of these predictive tools for mycotoxins, it's important to first know the area or region the grain supply comes from. During early harvest much of the grain that is sold to manufacturing facilities often is supplied from local sources. Once that initial supply is depleted – usually just a few weeks – stored grain is transported by rail across the country and identifying the source of that grain becomes a greater challenge. To the extent possible, it is important to know your sources and know your fields.

Resource web sites

Fusarium Head Blight Risk Assessment
a cooperative effort from several academic universities
www.wheatscab.psu.edu/riskTool_2011.html

Ranch Plan
a resource of the National Drought Mitigation Center published by the University of Nebraska
www.drought.unl.edu/ranchplan

Weekly Weather and Crop Bulletin
from the U.S. Department of Agriculture and the U.S. Department of Commerce
www.usda.gov/oce/weather/pubs/Weekly/Wwcb/
(note capitalization; domain is case sensitive)

Several companies compile information and distribute mycotoxin updates, including:

Charm Sciences
www.charm.com

Neogen Corporation
compiles confirmed reports of mycotoxins into a geographical map
www.neogen.com

Also, PFI regularly updates its members with pertinent mycotoxin information.

methods for substantiating complete nutrition. Companies have the option of submitting a product to laboratory analysis to confirm that it contains the appropriate levels and balance of nutrients. Under the lab testing method, nutrients must be within the ranges specified in the relevant AAFCO dog or cat nutrient profile. Alternatively companies can conduct a feeding trial to assess how pets perform on a particular diet. For a product to earn the designation of complete and balanced for all life stages, a feeding trial may last for two years or longer.

In the 1980s AAFCO developed detailed profiles on the nutritional requirements of cats and dogs. Revisions to the profiles were made based upon two publications of the National Research Council: "Nutrient Requirements of Dogs," published in 1985, and "Nutrient Requirements of Cats," published in 1986.

Recent years

More recently AAFCO has developed increasingly sophisticated rules for pet foods, many of which apply to labeling.

By the 1990s a significant proportion of pet food brands, product names and labels cited a specific ingredient. Often a secondary or tertiary ingredient was also mentioned using a word such as "with," and it was it was not uncommon for these ingredients to be highlighted using different colored text or a font size that was as large as, if not larger than, the primary ingredient that was named, thereby creating undue emphasis. One such possible statement is "beef with rice." AAFCO developed its "with" rule (Regulation PF3(c)) to specify the maximum acceptable font sizes that may be used to list secondary or tertiary ingredients mentioned as an accompaniment to the primary ingredient in product names and elsewhere on the label. The "with" rule also specifies that the named ingredient or ingredients must comprise at least 3% of the weight of the product exclusive of water for processing – except for nutrients and condiments – and that ingredients must be listed in order of predominance by weight.

In products marketed as a dinner, entrée, formula, etc., the named ingredient must constitute a minimum of 25% of the product weight. Products named after a single ingredient, such as "Beef Dog Food," must be made up of at least 95% of the named ingredient by weight.

During the '90s AAFCO revised its limit on the maximum moisture content in pet food to accommodate the development of products that are stews and the like as well as products containing gravy, sauce, broth, aspic, etc. Regulation PF4(f) permits such products to contain more than 78% moisture so long as they are labeled as containing gravy, sauce, broth or other high-moisture components.

AAFCO made the process for substantiating nutritional content more flexible when it developed "Procedures for Establishing Pet Food Product Families". Product families are groups of products that are similar in terms of manufacturing process, moisture content, and nutrient levels. These products generally contain similar ingredients, although certain ingredients may be different that relate to the product name or flavor. All products in a family must be nutritionally similar to a lead product, whose nutritional adequacy has been substantiated via feeding protocol.

"The product family regulation assisted in the development of a broader variety of products available to pet owners, and thus to the consumers of pet food," said Nancy K. Cook, vice president of PFI.

In the early 2000s the pet food regulations were rewritten to make them more easily understood and more directly applicable to products in the marketplace. During this time PFI developed a label review checklist to make it easier to assess regulatory compliance of labels; the checklist was adopted by AAFCO and is included in the OP.

Also underway within AAFCO is a revision of the AAFCO Nutrient Profiles based upon the 2006 NRC publication, "Nutrient Requirements of Dogs and Cats." Working groups comprised of experts in canine and feline nutrition were established under the Pet Food Committee and have completed their review of the NRC publication. The experts now are working toward consensus on the revisions that should be made to the nutrient profiles.

Changing role

With the enactment of two federal food safety laws since 2007, the future role of AAFCO is uncertain. The Food and Drug Administration Amendments Act of 2007 (FDAAA) mandated FDA to develop federal regulations specific to pet food in areas covered by the AAFCO Model Feed Bill and Model Regulations for Pet Food and Specialty Pet Food: ingredient definitions and standards; labeling; and manufacturing. Those regulations have yet to be released for public comment.

Earlier this year President Obama signed into law the Food Safety Modernization Act which imposes a slew of new requirements for all food products, including cat and dog food. In response to the law, FDA will be developing and publishing regulations over the next two years (see "New food safety law to prompt epic change," *PFI Monitor* Spring 2011).

Despite changes at the federal level, state requirements – which are based upon the work of AAFCO – will remain in effect. Furthermore FDA has indicated to PFI that the regulations mandated by FDAAA will be "contiguous" with the AAFCO models. ●

PFI Monitor expresses its appreciation to AAFCO for its input on this article, including its historical account of the early years of AAFCO.

IN-BRIEF

PFI expands regulatory staff

For the first time in nearly a decade, the size of the PFI staff has expanded. Pat Tovey, who worked most recently for Neogen Corporation as its pet food account manager, joined PFI on September 6. Tovey filled the newly created position of manager, technical and regulatory affairs and will work closely with Nancy K. Cook, vice president of PFI, on a broad range of areas involving the pet food industry.

Among Tovey's responsibilities is providing technical assistance and working with member companies, government agencies, allied industry organizations and international contacts.

"Our industry faces many new demands as a result of the Food Safety Modernization Act. We're excited to have Pat on board because his experience enhances our ability to assist PFI members through this time of change," said Cook.

Tovey has more than 11 years of industry experience in technical and sales diagnostic support. ●

> "...the global dog and cat food market will maintain its strong rate of growth over the 2011-2016 period, with a real CAGR of 2.9%, up from 2.8% over 2006-2011."

Sun newspaper, hundreds of abandoned pets have been roaming the Las Vegas valley in recent years, and the problem is getting worse. Nevada has been one of the states hardest hit by the downturn in the U.S. housing market, with an extremely high rate of mortgage foreclosure.

Similar trends are evident in Western Europe. According to UK-based animal charity Dogs Trust, a record number of dogs were abandoned by their owners during the 12 months to August 2011. During this period, 126,000 stray dogs were picked up by the authorities in the UK. Meanwhile, pet abandonment in Barcelona reached an all-time high during 2008, with 18,000 dogs abandoned according to the Affinity Foundation, a local non-profit animal welfare organization.

Increased price-sensitivity impacts distribution

Another way in which the economy has impacted the pet food market is distribution. In Western Europe, for example, discounters and pet superstores gained ground over the 2006-2011 period, mainly at the expense of supermarkets/hypermarkets. The rise of discounters is mainly being driven by increased price-sensitivity in the wake of the economic downturn, which has helped to make bargain hunting fashionable again in such markets as the UK, where discounters like Aldi and Lidl, which were once looked upon with something approaching disdain by most middle-class consumers, have become the retail zeitgeist since 2009. They more than doubled their share of UK pet food value sales, to 2%, between 2006 and 2011.

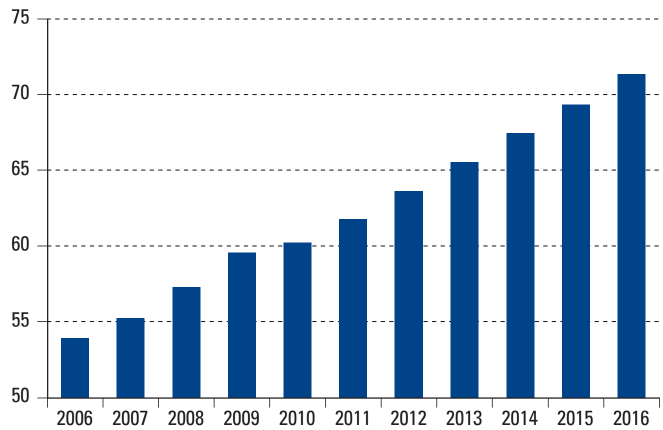
The global market share of pet shops edged slightly upwards over the same period, from 16.6% to 17.3%. This channel is particularly strong in such emerging markets as Latin America and Asia Pacific. Pet shops tend to be important in these markets because owners are generally less educated about pet care than their counterparts in developed economies. As a result, they tend to be more reliant on shop owners and assistants for professional advice on how to best care for their pets.

Slowdown in growth likely as emerging markets begin to mature

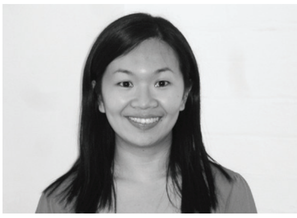
Euromonitor International predicts that the global dog and cat food market will maintain its strong rate of growth over the 2011-2016 period, with a real CAGR of 2.9%, up from 2.8% over 2006-2011. Latin America and Eastern Europe will continue to enjoy strong growth on the back of rapid socio-economic change, while a gradual economic recovery is likely to boost growth in North America. ●

Global Value Sales of Dog and Cat Food (in constant 2011 prices): 2006-2016 (actual and forecast)

US$ billion



Source: Euromonitor International from trade sources/national statistics



Emily Woon is the Global Head of Pet Care Research at Euromonitor International.

www.euromonitor.com

New challenges make industry coordination even more important

David Hoogmoed, chief operating officer, feed of Land O'Lakes Purina Feed LLC and vice chairman of NGFA, delivered the keynote address at the 2011 Feed and Pet Food Joint Conference on factors shaping the future of the both industries.

The pet food and animal feed industries are under pressure from many directions and will continue to face significant challenges over the next few years.

PFI and the National Grain and Feed Association (NGFA) have a long history of working closely together to coordinate the responses of our two industries on matters of mutual concern. Through this relationship, PFI represents the interests of pet food companies and NGFA works on behalf of the makers of feed for livestock. By aligning together, our industries can meet the challenges we face – many of which are tied to expanding global demand and increasingly sophisticated customer expectations.

Both the pet food and animal feed industries are primed for rapid growth. The growth in the animal feed market will be fueled by an increasing world population (which is projected to rise from 7 billion people today to 9.2 billion people by 2050) and the expanding "middle-income" population. As a result, global consumption of dairy products and meat is expected to double. This significant increase in demand for meat and dairy products can only be met if livestock production increases, which invariably requires more animal feed to sustain the herds.

The pet food industry also expects continued growth. Since 2005, U.S. spending on pet food has grown an average of 6% per year. By 2015, U.S. retail pet food sales are projected to grow nearly 40% and exceed $26.6 billion. Worldwide sales of pet food have the potential to explode in terms of both value and volume growth, as millions of people join middle-income brackets around the globe. As more people enter the middle class, pet ownership will rise, along with the percentage of pet owners who choose to feed their pets a commercial pet food product.

The availability of raw materials to meet growing demand is difficult to predict. Factors in the marketplace that affect ingredients will be felt by both industries, such as the dollar value of exports, ethanol production, the impact of CRP rules, and producer economics. All of these factors contribute to complexity in the global economy.

"It is important that we maintain a perspective on the differences between our industries – particularly with respect to the close relationship pet food companies foster with the purchasers of their products – while coordinating our efforts."

As we strive to meet growing demand, it is paramount that product safety and quality be maintained. The United States already enjoys the world's safest food supply, and regulatory requirements on our industries will expand under the Food Safety Modernization Act. Still there are questions to which our industries need to understand the answers. What will the cost of compliance be? Will there be a level playing field? Will we all be accountable to the same standards? We are at a point where we can measure and track more than ever before, and that makes our jobs more demanding than ever.

In other markets the prospects may be less certain. In recent years there have been several high profile incidents involving economic adulteration – melamine in plant protein products and milk in China; inedible oil in feed in Europe. As food and feed production is increased, particularly in markets that are not well-developed or do not have a strong food safety regulatory system, opportunities for miscreant acts will abound. One of the consequences of rapidly expanding global trade is that products affected by a production or processing problem in one country can quickly spread to other markets.

In the United States, it is likely that makers of pet food and animal feed will need to comply with an increasing number of requirements and expectations not related to safety. For example, increased guidance on the use of antibiotics, as well as expanded retailer requirements, must be taken into account. We should also acknowledge that retailers institute initiatives based upon feedback and concerns expressed by their customers. There is a much greater emphasis on "green" products and operations. Sustainability is no longer just a concept. It is quickly becoming a basic consumer expectation. Perceptions about animal welfare are evolving as well, and we must make sure the public knows that we too are concerned about the humane treatment of animals and their well-being. We also must work to understand the concerns of the public and the messages they are receiving.

So how do we feed more people with fewer resources and less impact on the environment, while maintaining safety? Key elements include routinely evaluating operations (from supply chain to manufacturing to delivery); operating at maximum efficiency; and continuing to develop products, services and technology that produce the healthiest animals possible.

We should also be mindful that we are carrying out these responsibilities in a world where information moves faster than ever before. The internet and social media are powerful tools for finding and communicating information. Together they can focus attention on issues that might be just a blip in traditional media. They also can provide an invaluable feedback loop to our industries, as well as a means to communicate directly with certain population segments.

The bottom line is that our two industries must continue to work together to coordinate our efforts and our voices as we confront these mutual challenges. It is important that we maintain a perspective on the differences between our industries – particularly with respect to the close relationship pet food companies foster with the purchasers of their products – while coordinating our efforts. If we move beyond our traditional scope and work to understand the factors that affect the challenges we face, we can more effectively guide our future. ●

Pet food is highly regulated, contrary to common misunderstandings

One of the most pervasive misconceptions about pet food relates to the degree which it is regulated. Inaccurate descriptions like "self-regulated" and "patchwork of regulations" appear frequently in the media and are bantered about on the Internet, particularly on certain sites. Reality about pet food regulations is polar opposite from these mistaken beliefs.

In the United States, cat and dog food products are the most highly regulated food product, with the exception of infant formula. These two types of products are similar in that both infant formula and most pet foods are designed to be complete foods, meaning they provide all the nutrition its consumer needs. In pet food terminology, this is described as "complete and balanced." Also like infants, pets are not able to explain if they are not feeling well or if they take issue with their food.

Infant formula and pet food differ in the length of time for which they are designed to be fed. Infant formula is to be fed for a short period of the life of a person, while pet food is designed for feeding throughout a long, healthy life. This can be achieved by feeding a food designed either for all life stages or for specific life stages. The primary exceptions are therapeutic diets – which are designed to be fed at the direction of a veterinarian to animals experiencing a particular health issue – and treats, although some treats are complete and balanced as well.

Pet food has long been regulated by the U.S. Food and Drug Administration and by state governments. FDA enforces the foundational requirements that apply to all food, that it be: wholesome, free of harmful substances and truthfully labeled. FDA also has authority to recognize food additives and food ingredients affirmed as generally recognized as safe (GRAS).

The laws and regulations that states enforce contain requirements that are specific to pet food. Typically these provisions are consistent with two documents developed by the Association of American Feed Control Officials (AAFCO): the Model Feed Bill and the Model Regulations for Pet Food and Specialty Pet Food *(see "AAFCO, a colorful history," page 4)*. Widespread adoption of these models by the states and the fact that most pet food products are involved in interstate commerce effectively nationalize the regulatory requirements developed by AAFCO. Furthermore states use other materials developed by AAFCO to assess regulatory compliance for pet food such as labeling guidelines, ingredient definitions, and nutrient profiles. Even states that have not formally adopted AAFCO provisions routinely use them as a guide.

Strict labeling rules

If a product contains an ingredient defined by AAFCO, then it is the AAFCO ingredient name that must be used in the list of ingredients on the product label, not some other term. Descriptors of quality and brand names are prohibited from the ingredient list.

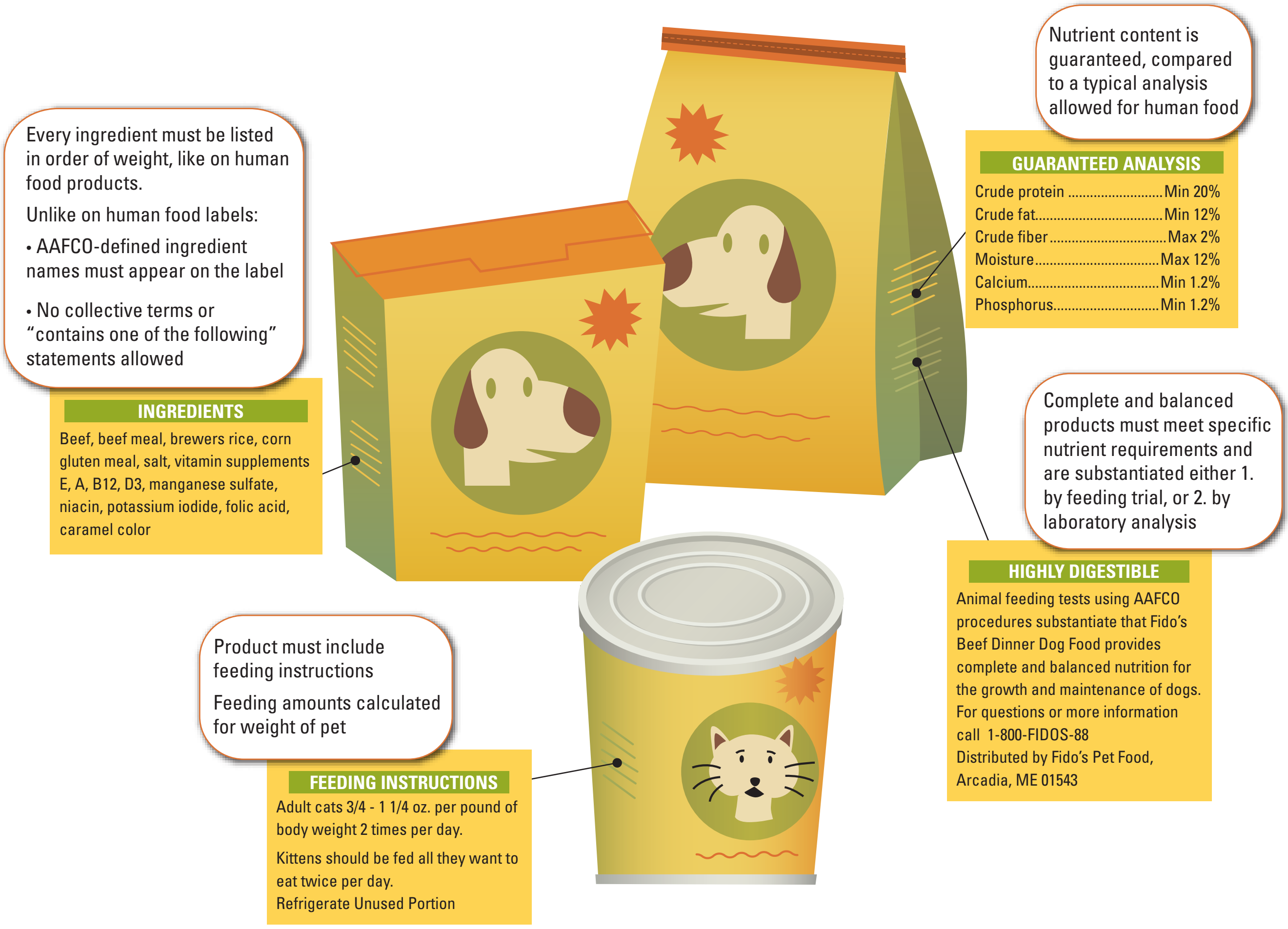
Similar to products for human foods, ingredients are listed in descending order of predominance by weight, however certain labeling practices permitted on human food labels are not allowed on pet food products. The AAFCO labeling rules do not allow collective terms, such as "spices," which can be used on food for people. Furthermore human food labels permit a general type of ingredient to be named, with more specific items listed in parentheses. An example of this would be "oil (canola, corn, soy or vegetable)." On pet food labels the precise AAFCO-defined ingredient in the product must be named. AAFCO has additional guidelines for labels that apply to product names and descriptors, placement of labeling components, font sizes, and more.

Rules for nutrition

With respect to nutrient claims and relevant nutrient content, AAFCO has developed specific requirements, in conjunction with the FDA Center for Veterinary Medicine and the findings of the National Research Council, to ensure nutritional adequacy. These requirements are stringent because as noted previously, most pet foods are designed to be the sole source of nutrition for the pet. Values for nutrient content listed on the label must be guaranteed. Typi-

Stricter than people food

In the United States, pet food products must meet requirements that are not applied to human foods.



For more information on pet food labels, visit PFI's sites www.petfoodinstitute.org and www.petfoodreport.com as well as AAFCO's Business of Pet Food site at www.petfood.aafco.org.

cal analysis of nutrient content is not allowed as it is in food for people. The minimal guarantees are for protein, fat and fiber; a guarantee for oil content is not permitted.

Products marketed as complete and balanced must substantiate nutrient content by one of two methods: either through laboratory analysis or by feeding trial. A feeding trial for a product designed for all life stages is likely to extend for two years or longer. Products substantiated by laboratory analysis must contain nutrient levels consistent with the applicable AAFCO Nutrient Profile. Only after nutrient content has been substantiated using one of these two methods may a product be labeled as "complete and balanced" or in some similar manner.

New food safety law

As comprehensive as these regulations are, pet food regulations in the United States will become even stronger under two food safety laws passed in recent years, the Food and Drug Administration Amendments Act of 2007 (FDAAA) and the Food Safety Modernization Act of 2011 (FSMA).

FDAAA mandates the Food and Drug Administration to develop federal regulations in areas largely covered by the AAFCO models: ingredient standards, labeling requirements and processing requirements. These regulations are still in development in part because, for the sake of consistency, FDA was awaiting the final form of FSMA, which was enacted earlier this year, prior to implementing the FDAAA regulations.

Under FSMA, the Food and Drug Administration has expanded authority over all food, which includes food for pets. The agency has expanded access to company records, new recall authority to set contaminant-specific standards and the ability to suspend a facility license, which would effectively shut down a facility. Later FDA will develop regulations for preventive controls, food safety plans and other aspects related to food processing and manufacturing.

Over the next few years, regulations for all foods will become stricter under FSMA, yet the requirements for pet food will remain even more prescriptive and specific than those applying to the foods people eat, except for maybe the regulations covering what gets put into a baby bottle. ●