



Russian Federation: Pet Products Market Brief

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Capital: Moscow
Population: 143.3 million (2013 Federal State Statistics Service data)
GDP: \$2.6 billion (Purchasing Power Parity, 2012)
World ranking: 7 (2012)
Currency: Ruble (RUB)
Language: Russian

Summary:

Experts consider Russia's pet product market one of the most dynamic markets in the world. Market volume in two largest cities, Moscow and St. Petersburg, amounted to almost \$2 bln while market potential in these cities is estimated at approximately \$4 bln. According to different estimates, the pet products market is currently growing 20-30% annually with 10% annualized growth over the prior 10 years. Almost half of Russian families have pets (47%), including 25-30 mln cats and 20 mln dogs. Pet food is the largest pet product with sales of approximately \$400-500 mln. In the Moscow region, consumers spend around \$300 mln per year. Annual pet food market growth is currently 20-25%. The share of imported pet food is only 10-15 % and has been decreasing recently due to local production by foreign companies.

Market entry:

Pet product retail chains (concentrated mainly in Moscow and St. Petersburg) cover 25.7% of the market with the balance (74.3%) sold through stand-alone shops. Presently, pet care products are widely distributed in hypermarkets and supermarkets (food and non-food retail stores) and have shown sales increases of 20-40% annually in these establishments. The largest retail chain is *Cats & Dogs* with 57 stores in many Russian regions. Other major pet product retail chains include *Le'Murr*, *Leopold*, *Goldfish*, and *Beethoven*. Only 13% of pet shops have internet

stores (www.petshop.ru, www.kormovozoff.ru). According to different estimates, the quantity of special pet stores varies from 400 up to 750 in Moscow and from 200 up to 400 in St. Petersburg, but this market is quite disparate.

In 2010, Prometheus Capital Partners acquired retail chains *Beethoven* and *Zooboom*. The merged company, which operates now under the *Beethoven* brand, is one of the largest chains in Russia with 41 stores in Moscow and some regional cities. The company operates in two formats: larger (400-800 sqm) discount outlets offer stand-alone destination shopping, while medium-sized (100-300 sqm) venues are conveniently located in shopping malls. In addition to high quality merchandise such as pet food, medicine and hygiene products, *Beethoven* continues to offer pet care services.

The market for pet services is growing rapidly: new veterinary clinics, pet shops, grooming salons, and pet hotels open every year. Veterinary clinics, grooming services and pet hotels have the largest potential for growth. Experts predict that within the next 5 years the pet service market will grow several times.

Pet Food:

Pet food comprises 75% of the pet products market in Russia with the balance coming from pet clothes (10%) and other pet products (15%). 80% of the pet food market belongs to dry and wet cat food.

The pet food market is concentrated among a few market participants: *Mars* is the absolute leader with 60% of the market share (Chappi, Pedigree, Whiskas, KiteKat). Nestle's Purina has 13.9% of the market (10% of the premium segment with Pro Plan brand); *Royal Canin* - 7.5% (50% of premium segment, Royal Canin is a *Mars* product); *Hill's* - 4.8% (33% of the premium segment); smaller producers comprise the balance (13.8%) of the market.

Russian Export:

Russian exporters of pet products in Russia can be divided into three groups. The first group includes manufacturers of veterinary drugs and pet cosmetics (the companies *Veda*, *Agrovetzashchita*, *Api-San*, *Farmax*), the second group are manufacturers of pet food and nutritional supplements, such as the companies *Alpintex* (TitBit) and *Mealberry*. The third group, pet accessories, is mainly produced by the company *Kaskad*. However, the total volume of the exported pet products is far less than the total amount of imported pet goods.

Barriers:

Today, nearly 65% of the value of the pet food and vaccines market comes from imports. Quite often Russian consumers are supplied with products of low quality that are falsely labeled as Western European brands and delivered through the Customs Union countries (Russia, Kazakhstan and Belarus). Experts note that this has resulted in an increase in pet morbidity. From 2007 to 2012 the rate of pet illnesses caused by the low-quality pet food and vaccines increased by 20%. Low quality pet food and drugs account for 80% of pet illnesses. Manufacturing of legal, authorized Russian pet food and vaccines did not register drastic growth - only 2.5% between 2010 and 2012, with counterfeits making up the balance.

Sales of pet products on the Customs Union territory is more than \$5 bln per year, with Russia's share accounting for \$2.2 bln. There is no unified standardization among the Customs Union member countries for pet products; however they are seeking to harmonize technical standards and regulations among Customs Union countries. The Customs Union also lacks a comprehensive statutory and regulatory system of operating a pet business. According to the pet product industry association members, there is a need for coordination among different government agencies both at federal and regional levels.

Another problem connected with the pet industry is that there is no agreed interdepartmental certificate for pet products in Russia. This has led to the very slow process of certification of supplying companies, with only one-third of Russian exporting companies that applied being granted final certification.

From January 1, 2014, Russian authorities are planning to introduce unified certification documents for all categories of goods and services in the pet industry. Many entrepreneurs are appealing to delay introduction of new products, as they don't have enough time for bringing all their documents into conformity with new regulations and requirements.

Trade Events:

ParkZoo Trade Show 2014

September 18-20, 2014, Moscow

International pet industry exhibition, organized by ARTIS Expo.

<http://www.parkzoo.ru/en/>

22nd International Specialized Trade Fair of Goods and Services for Pets,

"Zoosphere"

November 2014, St Petersburg

"Zoosphere" is held under official support of ministry of agriculture, Saint-Petersburg government, the Chamber of Industry and Commerce, Veterinary Agency of Saint Petersburg.

<http://zoosphere.lenexpo.ru/en/>

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