ASSALCO
Associazione Nazionale Imprese per l'Alimentazione e la Cura degli Animali da Compagnia

ZOOMARK 2021 INTERNATIONAL

an event by
Bologna Fiere

14th Edition 2021 ASSALCO – ZOOMARK REPORT

Pet food and pet care

The value of human-pet relationships during the pandemic

With contributions from

IRi Growth delivered.

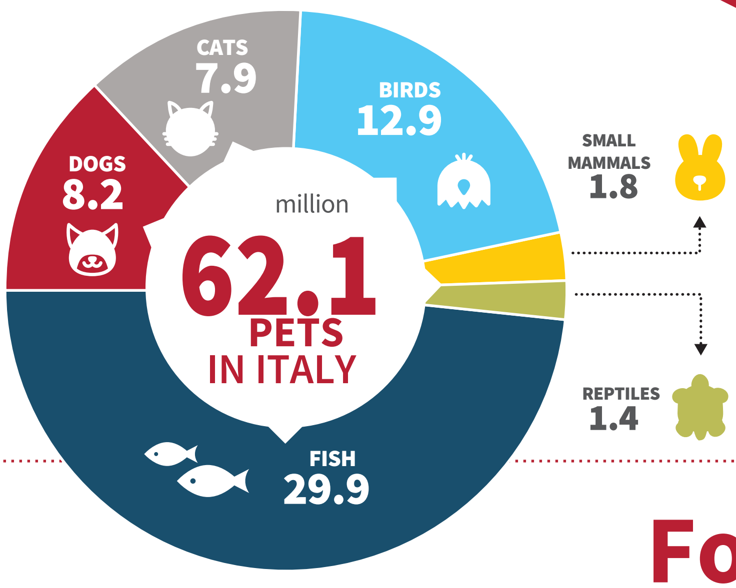
ANMVI ASSOCIAZIONE NAZIONALE MEDICI VETERINARI ITALIANI

Contents

THE MARKET

2021 ASSALCO - ZOOMARK REPORT

Pets: population and market



+1 MILLION **households** BUYING FOOD FOR CATS AND DOGS

Food

Cat and dog

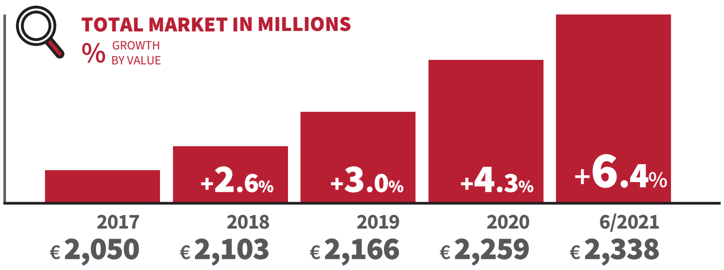
TURNOVER JUNE 2021

2,338 MILLION EUROS **+6.4%**

MAIN CHANNELS GROCERY[2], TRADITIONAL PETSHOPS AND PETSHOP CHAINS[3]

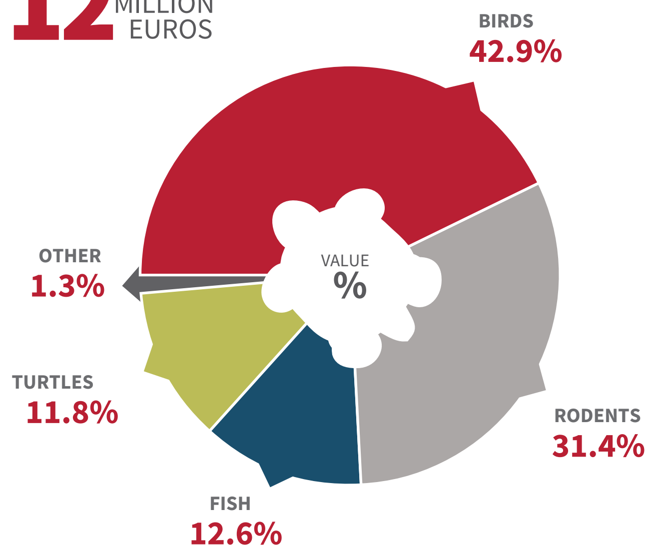
+ 43.6 LARGE SCALE RETAIL PETSHOPS[4] + 49 ONLINE GENERALIST RETAILERS[5] = **2.431** MILLION EUROS **+8%**

NEW CHANNELS IN MILLIONS



Small pets

12 MILLION EUROS



TURNOVER IN LARGE SCALE RETAILS[1]

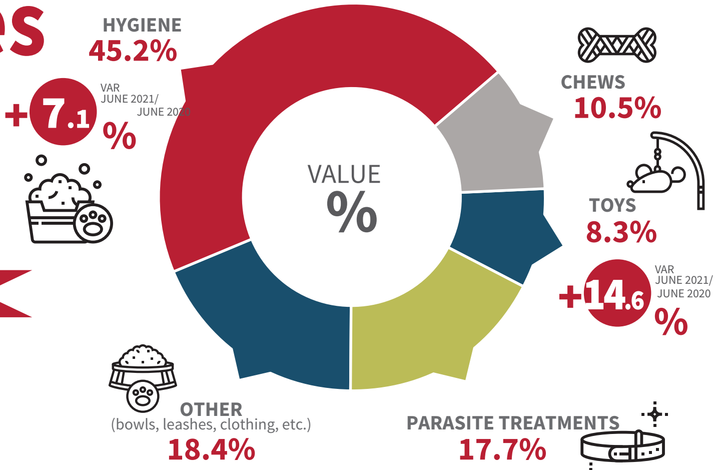
Accessories

75.1 MILLION EUROS

(cat litters not included)

+7.1% VAR JUNE 2021/ JUNE 2020

TURNOVER IN LARGE SCALE RETAILS[1]



Cat litter products

78.3 MILLION EUROS

+4.6% VAR JUNE 2021/ JUNE 2020

TURNOVER IN LARGE SCALE RETAILS[1]

[1] Large-scale retail: Hypermarkets, Supermarkets, Small indipendent retailers

[2] Grocery: Large-scale retail + Discount stores + Traditional

[3] IRI Panel of Petshop chains: representing L'isola dei Tesori, Maxi Zoo, Croce Azzurra, Italpet, Zoo Megastore, Agrizoo2. Arcaplanet, Fauna Food and Zoomarket are not included in the IRI data

[4] Large-scale retail Petshops: points of sale dedicated to the sale of petfoodandaccessories,belongingtocompaniesinLlrge-scale retail.

Leading panel of 86 points of sales: Amici di Casa Coop, Petstore Conad, Animali Che Passione, Joe Zampetti, Pet Elite (Selex) and Ayoka (Vegè Multicedi). [source IRI].

[5] On Line Generalist retailers and Pure Players (Esselunga, Carrefour, Pam/Panorama, Coop, Bennet, Unes, Finiper, Everli, Gros, Così Comodo, Crai, Basko, Lillapois, Risparmio Casa, Nonna Isa, Più Me and Amazon) [Souce IRI E-commerce]

Sources: Euromonitor 2020, GFK Panel Consumer, IRI

To download the 2021 Assalco - Zoomark Report:

www.assalco.it

THE ITALIAN MARKET FOR PET PRODUCTS

Introduction

At the end of 2019, when the data of the previous Assalco Report was updated, no-one could have imagined that the new decade would open with a health emergency generated by an unknown virus which, from a remote region of China, spread around the world so rapidly that the World Health Organization was forced to declare a pandemic.

The Covid-19 health emergency strongly influenced habits, lifestyles and purchasing: a year and a half after the first lockdown in March 2020, there has not yet been a return to "pre-covid" habits. Some of the changes that have taken place in recent months are set to accompany us into the future, giving rise to a "new normal", also because the emergency accelerated trends that were already forming.

Consumer goods were one of the sectors most affected, from the very beginning of the Covid-19 shock wave. After the peaks in demand during the first phase of the pandemic, 2020 saw different trends emerging, also due to the restrictions introduced by the government: the final outcome for 2020 was an exceptional growth of +7.8 %. The positive trend in consumer goods continued in 2021 (last update from August 2021), albeit more moderately, given the comparison with the exceptional peaks of the early weeks of the pandemic. Growth was driven above all by Food and Beverage: the strong growth in domestic consumption was due to the near impossibility of eating out. In other words, the retail industry absorbed the excess domestic demand generated by the fact that people were eating out less (being unable or unwilling to do so), and in general the lower mobility of the population (the lockdown till late April, the increase in the number of people working from home).

The advent of Covid produced several changes, including giving people the chance to spend more time with their pets. The increase in interaction has led to owners paying their pets more attention, and wanting to pamper their pets more, leading to an increase in the humanization of pets. This has led to visible growth in the pet food market (Dogs and Cats) both in terms of purchases and even more in terms of value. There was also an increase in the number of adoptions, thanks to the growing awareness of the life-enhancing power of pets.

The pandemic also altered the competitivity of the main sales channels, partly conditioned by the continuation of existing trends, and partly the result of purchasing behaviour adapting to the crisis.

Sales in small and medium supermarkets continue to grow; as a whole they are continuing to respond to the changing needs of consumers in this period, while in the **Hypermarkets** channel the structural crisis in turnover, which had already been underway for some years, is continuing.
The boom in local shops, noted at the beginning of the pandemic, on the other hand, turned out to be more of a temporary response to the hard lockdown, when the restrictions were lifted this format showed its limits, already evident pre-Covid, once more.
One of the trends observed during the health emergency was the rise in discount supermarkets, which began to carve out substantial space for themselves, above all in the second half of 2020, and now represent an alternative to local shops and traditional supermarkets.
Stores specialized in Household and Personal Care Products are confirming the success achieved before the pandemic (with the exceptional demand for hygiene and sanitation products, but also for the competitive pricing in their chosen product categories).
Starting from the first weeks of the pandemic, there was an impressive growth in the online channel, which has attracted and retained new shoppers, breaking down many of the cultural and cognitive barriers that until a couple of years ago seemed to be holding back its development.

As we will see going forward in the report, the new competitive structure of the channels also holds true for pet food, with the specialized channels completing the picture.

In terms of channels, the structural increase in demand for Pet food, linked to a combination of factors including people's increasingly strong bond with their pets, and the increase in new adoptions, was taken up by all the main specialized and generic sales channels: specialized stores, even during the first few months of the pandemic, continued to remain open as their product category was deemed non-deferrable, and a necessary integration to the products sold by large-scale retail chains, in so far as they sell specific foods with particular nutritional purposes, designed for pets with health conditions (heart disease, liver disease, urinary tract problems, etc.), as well as specific hygiene products and parasite control products for treating animals and the home environment which are not available in large retailers, as well as veterinary pharmaceuticals.

The rapid growth of the last year has been driven mainly by specialized petshop chains (specialized retailers or part of large-scale retail chains), discount supermarkets and the on-line channel (for the IRI definition, see the following pages). Traditional petshops, which continue to represent a quarter of the total market turnover, have managed to defend their competitive position in a highly dynamic market.
Let's now analyse the market in detail, starting with size, trends and insights on the various sales channels.

Size, development trends and key features of the sales channels - Grocery - Traditional Petshops - Petshop chains and the emerging channels

In the year ending June 27, 2021, the market for **dog and cat food products** in Italy - Grocery channel, Traditional Petshop, Petshop Chains, Supermarket Petshops and general online retailers (supermarket groups and Amazon) - saw a **turnover of 2,431 million euros**, selling a total of **664,218 tons**.[1 2] In a year which saw the continuation of the Covid emergency, the growth trend that had been underway for several years accelerated, generating an **increase** in overall **turnover** of **+ 8%** and in volumes of **+ 5.7%.**

The numbers above outline a market that continues to grow at a higher rate than that of Packaged Consumer Goods which, in the period in question, was + 5.8%.[3]

Once again value rose more than volume, confirming that shoppers are spending more and choosing high quality, premium bracket products in smaller formats with a higher price per kilo, foods for specific health conditions from the specialized channel and products linked to emerging trends (e.g. natural, vegetarian/vegan, gluten-free, grain free, single protein, formulated with selected raw materials, etc ...).

The growth of the market was supported by a significant **increase** in the number of **cat and dog adoptions**. At the end of the first lockdown, many Italians decided to get a pet, generating an **increase in the number of "Pet Parents"**: the stress of the lockdown led to many people wanting to take on a pet, in view of the well-known benefits of pet ownership.

The increase in the number of "Pet Parents" was reflected by a substantial **increase** in the number of **households purchasing dog and cat food**, up to **12.2 million**: about **1 million more** than last year), mostly young people of medium-high socio-economic status, an interesting profile in terms of spending power and interest in higher quality products.[4] As a result of this increase, the **number of households purchasing dog and cat food** reached **46.9%** of the total number of Italian households (+3.4 points compared to last year).

Excluding the emerging channels (supermarket petshops and online general retailers), which have more than doubled in the last year, cornering 3.8% of the market's turnover, the main channels - Grocery, Traditional Petshops and Petshop Chains - saw a turnover of 2,338.7 million euros, with a total of 644,455 tons sold.

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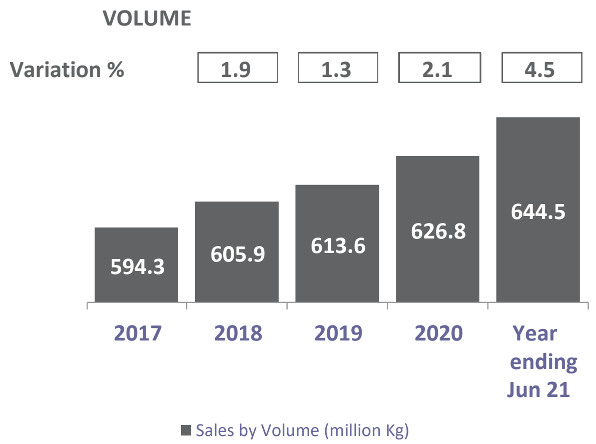
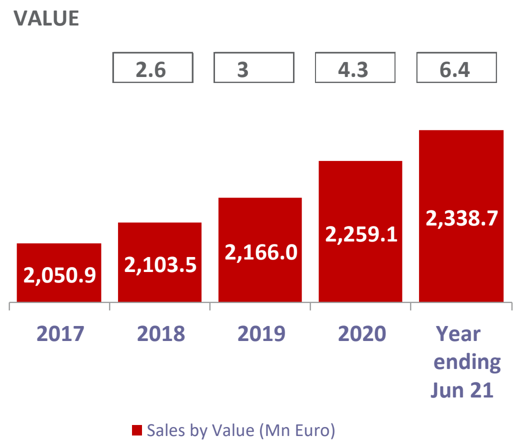
[1]Large-scale retail Petshops: points of sale dedicated to the sale of pet food and accessories, belonging to companies in the large-scale retail sector. The data contained in the report regards a leading panel of 86 points of sale - Amici di Casa Coop, Petstore Conad, Animali Che Passione, Joe Zampetti, Pet Elite (Selex) and Ayoka (Vegè Multicedi).
[2]Source Iri E-Commerce: tracking of online sales of generalist retailers and Pure Players (Esselunga, Carrefour, Pam / Panorama, Coop, Bennet, Unes, Finiper, Everli, Gros, So Comodo, Crai, Basko, Lillapois, Risparmio Casa, Nonna Isa, Più Me and Amazon).
[3]Hypermarkets, Supermarkets, Small independent stores, Household and Personal Care shops, Discount supermarkets and online generalist retailers
[4]Source of data GFK - Consumer Panel: updated to year ending April 2021

DOG AND CAT FOOD IN THE GROCERY CHANNEL, TRADITIONAL PETSHOPS AND PET RETAIL CHAINS





Source: IRI - 52 weeks to June 27, 2021

The positive trend in value continues: + 6.4%

The main distribution platforms also showed a positive trend, with faster growth than 2020, and though at a more moderate rate, there was also an increase in volume, which was more than double compared to previous years.[5]

The various distribution platforms - Grocery, Traditional Petshops, Pet Retail Chains, Large-scale Retail Petshops and Online Generalist retailers - show different trends and results for the total market and its main segments.

Dog and cat food in the grocery channel, traditional petshops and pet retail chains

Tot Pet food	Grocery			Traditional Petshops			Petshop Chains			Tot
	YE Jun20	YE Jun21	Var %	YE Jun20	YE Jun21	Var %	YE Jun20	YE Jun21	Var %	Var %
Sales Vol (million kg)	482.2	503.8	4.5	93.7	94.0	0.3	41	46.7	13.8	4.5
Sales Val (million €)	1,292.8	1,373	6.2	645	653.6	1.3	260.8	312.1	19.7	6.4

Source: IRI - 52 weeks to June 27, 2021

The **Grocery** channel accounts for 56.5% of the total turnover of the pet food market (i.e. 1,373 million euros) and 75.9% of the volume (503,835 tons). In the year ending June 2021, it saw an increase in turnover of + 6.2% and volume of + 4.5%.
The Grocery category totals data from the channels: Hypermarkets, Supermarkets, small independent shops, Traditional (including Micromarkets, stores less than 100 square meters) and Discount supermarkets.
Supermarkets (9,127[6] points of sale) which account for 28.5% of turnover and 31.1% of volume, saw an

[5] With the data of March 2020, IRI carried out a retroactive review of the estimates for the discount channel which resulted in an increase in sales for that channel and therefore its weighting on the total pet food market, understood as the sum of mass market and specialized channels. The data in the 2021 Assalco report includes the new estimates regarding the discount channel while the 2019 report was based on data before the estimates were reviewed, meaning that the differences compared to 2017-2018-2019 in the same parameters are due to the review of the estimates for the discount channel which took place between the writing of the two reports.
6 IRI universes update as of 31/12/2020

increase in value of 5% and in volumes of + 1.8%. In the year ending June 2021, "**superstores**[7]" (7.6% of turnover) confirmed their growth with an increase in value of + 6.5% and in volume of + 3%. The pandemic further accelerated the crisis facing **hypermarkets**[8], that had been under way for some time: this channel, which accounts for 7.1% of volume and 6.6% of turnover out of the total Food for Dogs and Cats, saw performance down (-6.7% by volume and -3.5% by value); small independent retailers (100-399 sqm), which develop 4.9% of turnover and 5.2% of volume, have also seen a drop in sales (-1.5% in value and -3.9% in volume), in the period in question, compared with the exceptional sales of the first lockdown, when due to the restrictions on mobility, Italians rediscovered the benefits of proximity (local locations, speed and service).

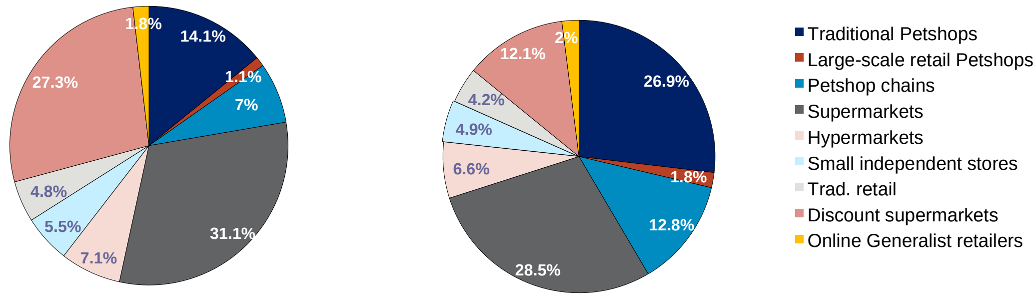
Double-digit growth for the discount channel

Among the Grocery channels, particular attention should be devoted to the **discount** channel, which starting from the second half of 2020 saw a boost in growth across all markets. In the dog and cat food market, the discount channel - which represents 27.4% of volume and 12.1% of turnover - saw double-digit growth in the period under analysis: +18% in turnover and +13% in volume.

Petshop chains (7% of volume and 12.8% of value, for a total of 46.7 tons and 312 million euros) continued to grow, up 19.7% in value and 13.8% in volume compared to the previous year.
Petshop Chains are stores specialized in selling food and products for pets (over 750 stores, 413 of which are represented in the IRI report[9]) with at least seven retail outlets: L'Isola dei Tesori, Maxi Zoo, Croce Azzurra, Italpet, Zoo Megastore, Agrizoo2, Arcaplanet, Fauna Food and Zoomarket.
It should be noted that the last three brands are excluded from the IRI survey which therefore represents 413 points of sale.[10]

Traditional **Petshops** (4.857 stores[11]) **represent the main non-grocery channel selling pet products** in Italy. They represent only 14.2% of volume (corresponding to approximately 93,953 tons), but they generate 26.9% of the market's value (653.6 million euros).
In the year in question, the channel saw a growth of + 1.3% in turnover and + 0.3% in volume compared to the previous year.
Despite strong competition from the chains, which are continuing to grow rapidly, and the advent of new distribution formats (supermarket pet stores) and e-commerce, innovation, service and the focus on the core business are enabling petshops to defend their identity and turnover.

Channels' share of the market by volume and value



VOLUME
Total volume (tons)
664,218

VALUE
Total value (million euros)
2,431

Source: IRI - 52 weeks to June 27, 2021

Traditional Petshops are confirming their high profitability, together with specialized chains.

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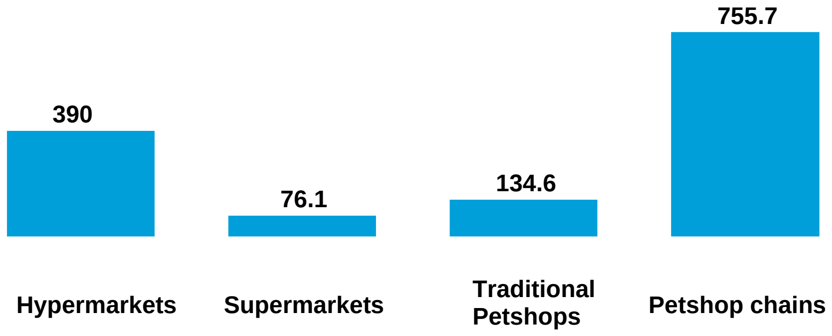
7 Superstore: self-service store with a sales floor of at least 2,500 square metres, selling packaged consumer goods
8 Hypermarket: self-service store with a sales floor of at least 2,500 square metres, selling packaged consumer goods, and an ongoing assortment of white goods and clothing.
9 Latest data available: August 2020.
10 Latest data available: August 2020.
11 Last available data: June 2019.

These petshops, with just over half of the number of outlets of supermarkets (4,857 compared to 9,127) on average invoices about double per retail outlet: 134,579 euros/year compared to 76,053 euros/year for Supermarkets.
Chains, which have the widest product assortment, have an average turnover per store that is 5.6 times that of a Traditional Petshop.
This confirms a substantial difference in the features, profitability and target market for the products sold by the three channels, and in particular between Traditional Petshops and Chains.

Average annual sales per store



PoS universe	414	9,127	4,857	413

Source: IRI - 52 weeks to June 27, 2021

Two relatively new formats have joined the aforementioned three main channels - Grocery, Traditional Petshops and Petshop Chains: Supermarket petshops[12] and online generalist retailers.[13]

Supermarket petshops are a fairly recent phenomenon launched by some large-scale retailers (e.g. Conad, Coop, Selex, Vegè...). They are specialized stores that focus on product assortment (wide range, premium, functional, and specific diets) and service (qualified personnel, grooming services and sometimes also veterinarians) to combat the growing competition of Pet retail chains.
Supermarket petshops have a similar profile to Petshop chains in terms of assortment (number of products, breakdown of product categories, share of therapeutic products ...) and price.
Supermarket petshops, with a turnover of 43.6 million euros in the year ending June 2021, had a market share of 1.8% of the total turnover of dog and cat food (physical and online channels). In the period in question, the turnover of Supermarket petshops broke down as follows: 45.1% cat food and 54.9% dog food.

The last few years have seen double-digit growth in e-commerce for the purchase of goods and services, increasing the penetration of e-commerce compared to traditional retail. Growth is being driven both by product categories which are more mature on this channel (e.g. computing and consumer electronics) and by emerging sectors such as packaged consumer goods.
As mentioned in the introduction, from the start of the Covid-19 emergency (February 2020), due to the lockdowns and restrictions on mobility, e-commerce saw a period of exponential growth, reaching outstanding levels during the first lockdown: online sales of mass consumer goods saw a growth of up to 200% (IRI e-commerce panel).
And when it comes to food for cats and dogs, e-commerce represents an important outlet: alongside

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12 Large-scale retail Petshops: points of sale dedicated to the sale of pet food and accessories, belonging to companies in large-scale retail. The data contained in the report regards a leading panel of 86 points of sale - Amici di Casa Coop, Petstore Conad, Animali Che Passione, Joe Zampetti, Pet Elite (Selex) and Ayoka (Vegè Multicedi).
13 Source Iri E-Commerce: tracking of online sales of generalist retailers and Pure Players (Esselunga, Carrefour, Pam / Panorama, Coop, Bennet, Unes, Finiper, Everli, Gros, So Comodo, Crai, Basko, Lillapois, Risparmio Casa, Nonna Isa, Più Me and Amazon).

operators specialized in pet products (vertical e-commerce - data not available), in recent years we have seen the development of **online sales of generalist retailers** (**large-scale retailers and Amazon** - data reported by IRI) with a boost in sales from the very beginning of the pandemic.

In the year ending June 2021, the turnover from online sales of **food for dogs and cats** by generalist retailers (as defined above) was **49 million euros**: although this channel continues to be in the minority compared to the total value of the sales generated by physical retail stores, the growth reported (+ 104% of turnover compared to last year), means that is an interesting channel to monitor, now representing 2% of the total turnover of Pet food (physical and online channels).

In the period in question, the turnover from online sales by generalist retailers (supermarkets and Amazon) broke down as follows: 54% cat food and 46% dog food. Both showed steady growth in line with the market as a whole.

THE MARKET FOR PET PRODUCTS: SIZE AND TRENDS IN THE MAIN CATEGORIES[14]

In the year ending June 27, 2021, in the overall market observed by IRI (Grocery + Traditional Petshops + Petshop Chains), all the main segments of dog and cat food showed a positive trend in terms of value compared to last year.

	Sales by Value (million Euro)	% Share of Value	% Variation
Wet cat food	779	33.3	9.1
Dry Cat food	410.7	17.6	4.2
Wet Dog Food	354.1	15.1	3.1
Dry Dog food	553.1	23.6	3.6
Snacks&Treats (Dog + Cat)	241.9	10.3	13.6
Tot. Dog and Cat Foods	2,338.7	100	6.4
Food for other animals	12		-3.7
Pet accessories	75.1		4.1
Cat Litter	78.3		4.6

Source: IRI - 52 weeks to June 27, 2021

Wet foods proved to be the category worth the most out of the total market

Wet food remains **the most important** segment, with a turnover of 1,133 million euros, equivalent to 48.4% of the market share.

In the year ending June '21, **wet foods grew**, with an increase in turnover of + 7.1%.

The growth of wet foods was mainly driven by the Grocery channel which generated 68.1% of turnover overall (wet cat food 68.8% and wet dog food 66.6%).

Within the wet food category, the main segment, wet cat food (33.3% of the value of food for dogs and cats) rose in turnover by 7.3% in the Grocery channel (+ 5.9% in volume) and +6.6% in Traditional Petshops (+4% in volume) while wet dog food (15.1% of the total turnover) grew by 4% (+3.2% in volume) in Grocery and fell by -5.3% (-7.6% in volume) in Traditional Petshops. In the Petshop chains both segments grew: wet cat food was up +27.2% in value and +23.1% in volume; wet dog food rose by +17.7% in value and +12% in volume.

The **dry food** segment is worth 964 million euros and accounts for 41.2% of the market: 23.6% of dry dog

14 Data regarding food for other animals, cat litter products and accessories regard the large-scale retail sector (hypermarkets, supermarkets and independent retailers up to 100 sqm).

food and 17.6% of dry cat food.

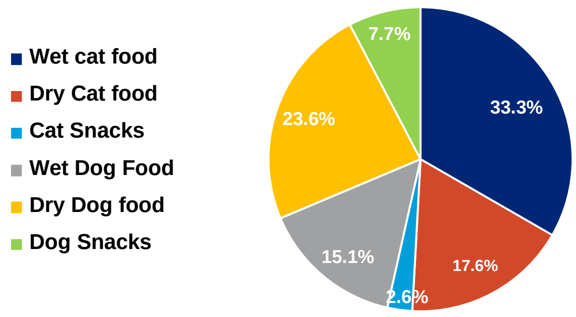
For this segment, beyond the still **very dynamic** performance of the **Chains** (dry dog food +13.8% in value and +9.7% in volume; dry cat food +20.9% in value and +14.8% in volume), in the year ending June 2021, in the **Grocery** channel sales of **dry cat food** were **up** by +3.6% in value (+4.6% in volume), with **dry dog food** up by +1.9% (+ 2.9% in volume); in **Traditional Petshops** we find the following scenario: while **dry cat food fell** by -1.9% in value (-2.8% in volume), **dry dog food rose** by 1.3% in value and + 1.7% in volume. In terms of channels, unlike wet food, which saw dog and cat food in alignment in the Grocery channel, dry dog food saw most of its sales in Traditional Petshops (49%) while dry cat food was strongest in the Grocery channel.

Snacks continue to be a very dynamic segment: +13.6% in value

Functional **snacks** and treats (snacks with functional objectives, for example oral hygiene, or treats designed to be appetizing, usually administered as a reward or more simply to keep the animal busy, e.g. chews), continued to show positive dynamics (+ 13.6% in value).

Double-digit growth was reported in both Grocery and Chains: cat snacks grew by 27.9% and dog snacks by 19% in the chains; in Grocery, dog snacks were up 10.5% and cat snacks 28.1%. In Traditional Petshops, dog snacks rose by + 1.9% while cat snacks grew by + 8.9%.

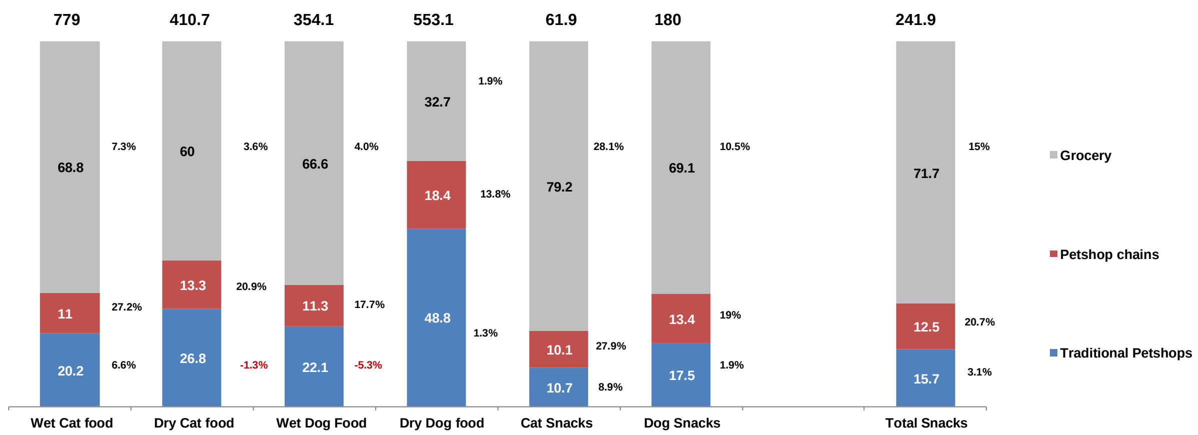
Breakdown of the market for dog and cat food



Share of Value	
Cat food	53.5%
Dog food	46.5%

Source: IRI - 52 weeks to 27 June 2021 - data on value

Pet food market shares and trends by channel (dog and cat)



Source: IRI - 52 weeks to 27 June 2021 - data on value

With regard to the other categories in question (food for other animals, animal accessories and cat litter), considering large-scale retailers[15] alone, the decline in sales of food for other animals continued, with a drop in value of -3.7%.

In the large-scale retail channel, the accessories market (hygiene products, parasite treatments, toys, leashes, beds, bowls, cages, aviaries, aquariums, turtle tanks and various utensils) also saw an increase of + 4.1% compared to last year.
The positive trend in cat litter of the last few years continued: in the year ending June 2021 in the large-scale retail channel it grew in turnover by +4.6%.

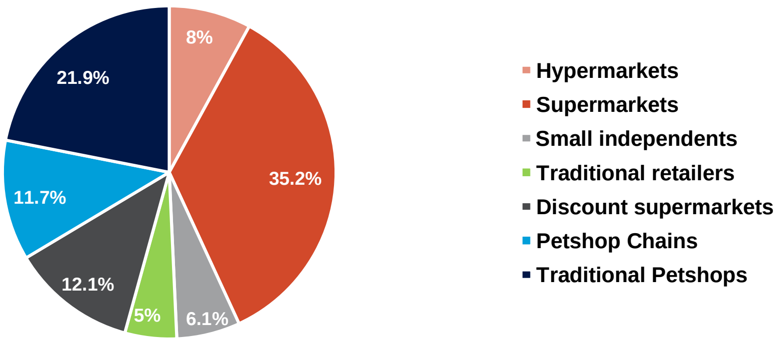
Below is an overview of the dog and cat food market in the Grocery, Petshop and Chains channels, with a breakdown for each segment, i.e. wet, dry and snacks.

[15] Hypermarkets, supermarkets and small independent retailers (100-399 sqm)

Cat food

The **cat food** market (wet, dry and snack) represents **53.5%** of the total Grocery + Traditional Petshop + Chains channels in terms of turnover, reporting **1,251.5 million euros** (+ 8.1% on the year ending June 2020).
In terms of volume, 291,590 tons of cat food were sold, 45.2% of the total market.

Cat food sales by channel



CHANNELS' SHARE OF VALUE
Total market value - 1,251.5 million euros

Source: IRI - 52 weeks to June 27 2021

65.6% of the total market turnover was developed by the Grocery channel, divided among the channels as follows: supermarkets developed 35.2% of the market, with a growth in terms of turnover of +6.4%; there was double-digit growth for the discount channel, which with an increase in turnover of +19.3%, reached a share of 12.1%; sales of hypermarkets and the Small independent retailers decreased, with a share of 8% and 6.1% respectively.
Chains grew strongly (+24.8% in terms of turnover), achieving a market share of 11.7%; Traditional Petshops settled at 21.9% (+3.4% in terms of turnover).

Wet cat foods were on the rise in both the grocery channel and specialized stores

The main segment of cat food is **wet food**, which covers about two thirds of the market (62.2% in value) and in the last year saw its turnover growing by +9.1% compared to the previous year. The turnover of this segment is strongly concentrated in the Grocery channel (68.8% of sales by value), equating to a growth of +7.3% in the last year.
In the period under analysis, this segment also grew in specialized stores, +6.6% in Traditional Petshops (20.2% of the total value of wet cat food) and +27.2% in Chains (11% of sales).

Dry cat foods saw a boost in the grocery channel and pet shop chains

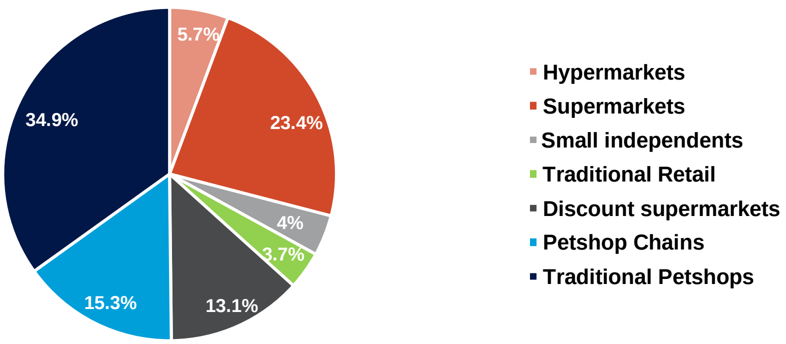
Dry cat food represented 32.8% of sales of cat food and grew by +4.2% in value: this growth was driven by Grocery (+3.6% in value vs the year ending June 20), which accounted for 60% of total turnover, and by chains (+20.9% in value compared to the year ending June 20), with 13.3% of the turnover. Sales of this product category were down in Traditional Petshops (-1.3% of sales by value vs 2018), representing 26.8% of turnover.
Cat snacks are a small but growing segment: in the year ending June 21, the share of snacks out of total cat food reached 4.9%. This segment grew across most channels: in Grocery +28.1% in value and in Chains +27.9% in value but -3.1% in Traditional Petshops.

Dog food

In terms of value, dog food (wet, dry and snack) represents 46.5% of the total Grocery + Traditional Petshop + Chains channel and was worth 1,087 million euros. Within the category, 50.9% of turnover came from dry food, 32.6% from wet products and 16.6% from snacks.

Chains were the most dynamic channel, with a growth of + 15.5% in value, followed by Grocery (+ 4.7% in value), while Traditional Petshops were essentially stable (-0.1% in value compared to last year).

Dog food sales by channel



THE CHANNELS' SHARE OF VALUE
Total market value - € 1,087 million

Source: IRI - 52 weeks to June 27, 2021

In terms of channels, Chains continued to grow, reaching 15.3% of market share with a growth in turnover of +15.5%; the weighting of Traditional Petshops decreased, settling at 34.9% with a turnover substantially in line with last year; in the Grocery sector, the growth of the discount channel, which reached 13.1% of share, should be noted, while supermarkets (+2.6 in turnover) accounted for 23.4% of sales, and hypermarkets and small independent retailers saw a drop in sales.

Dry dog food saw an increase in both grocery and specialized stores

Dry **food** is the main segment of dog food, representing around 50.9% of the market with an increase of +3.6%. 48.8% of the turnover of this segment goes to Traditional Petshops, which in the last year saw a growth of +1.3%. Positive trends were also observed in the Grocery channel (+1.9%, with 32.7% of turnover) and Chains (+13.8% with 18.4% of turnover).

Wet dog foods saw growth in the Grocery channel and pet shop chains

Wet dog food accounts for 32.6% of the total turnover generated by dog food. Unlike dry food, it is mainly sold by the Grocery channel, which accounts for 66.6% of turnover. In terms of value, the segment saw a +4% growth in the Grocery channel and a rise of +17.7% in the Chains (11.3% of turnover), but fell by -5.3% in Traditional Petshops (22.1% of turnover).

Snacks made up 16.6% of the total turnover from dog food and grew by +10%. Positive trends in value compared to the corresponding period of last year were seen in Chains +19%, Grocery +10.5%, and traditional Petshops (+1.9%).

The average assortment in the channels Grocery, Traditional Petshops and Chains

Each channel has its own specific identity with distinctive characteristics that allow it to maintain its market space.
In particular, the Grocery channel and Petshops (Traditional and Chains) use different product management methods, and offer diversified assortments that correspond to consumers' specific needs and priorities:

The Grocery channel guarantees value for money and convenience.

- The **Grocery** channel offers shoppers good value for money, with promotions, practicality, speed and convenience. In terms of product assortment, it offers a wider range of medium-price products than Petshops, and a significant, growing amount of premium range products.

Petshops: wide assortment and advice

- **Traditional Petshops** carry a wider range of products in the premium/ super-premium categories, as well as specific and functional products designed to meet different needs, such as dietary foods or foods "for particular nutritional purposes", linked to specific health conditions and which must be administered on the advice of the veterinarian. The added value of this channel is its high level of specialization and the advice offered, regarding both food and hygiene products, making it possible to market higher added value products.

Specialization and shelf management: the advantages of the chains

- the **Chains** combine the opportunities that come with the high level of specialization of Traditional Petshops with a format closer to the Grocery channel in terms of assortment and display. This gives them inevitable competitive advantages, hence the success that this channel has had in recent years.

The table below shows the performance of the three channels in terms of average number of products, and variations compared to 2020, per segment.
As specialized channels, Petshops and the Chains offer a wide product assortment, and are specialized in functional products and special diet foods. They are the channels with the broadest product assortment and offer a higher level of innovation than the Grocery channel.
Traditional Petshops have an average of 1,850 products, surpassed only by Chains, with average of 2,601 products in their assortment. The average number of products is much lower in Hypermarkets (871) and Supermarkets (322). The increase in the number of products stocked by hypermarkets and chains should be noted.

Average number of products

Average number of products May-Jun'21 and variation vs May-Jun'20	Hypermarkets		Supermarkets		Traditional Petshops		Petshop chains	
	Number of products	Var.	Number of products	Var.	Number of products	Var.	Number of products	Var.
Tot Pet food	**871**	**126**	**322**	**16**	**1,850**	**131**	**2,601**	**34**
Wet cat food	316	51	124	6	719	45	919	10
Dry Cat food	127	17	47	2	231	17	393	10
Cat Snacks	44	4	18	1	52	8	108	1
Wet Dog Food	148	21	59	2	356	37	452	-2
Dry Dog food	127	24	37	3	334	15	467	19
Dog Snacks	109	10	38	2	160	9	263	-4

Source: IRI - May-June 2021

Geographical distribution of sales

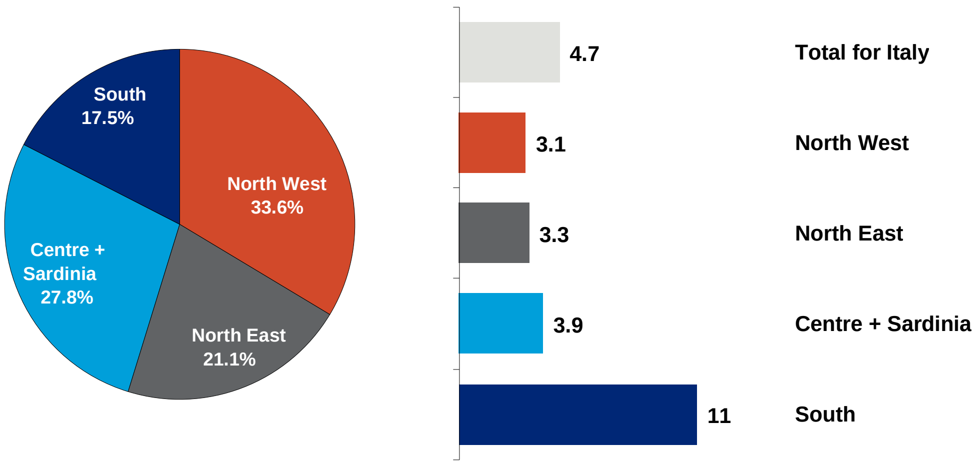
With regard to the geographical distribution of sales in the Grocery channel and Traditional Petshops, these are the main trends:

Over half of sales are in Northern Italy

- Northern Italy accounts for over half of sales (54.7%): in particular the North West, with a third of total turnover (33.6%), while the North East reported 21.1% of turnover;
- Central Italy + Sardinia, with 27.8% of sales, was the second biggest area in terms of turnover;
- The South remains the lowest area in terms of share of turnover (17.5% of the total).

In the year ending June '21, in terms of value the total Pet food market nationally (Traditional Grocery + Petshop) saw a growth of + 4.7% (+ 3.9% in volume): all the geographical areas contributed to this trend in sales by value.

Share of value in the geographical areas and % variation on the previous year - on the sum of the Grocery + Traditional Petshop channels

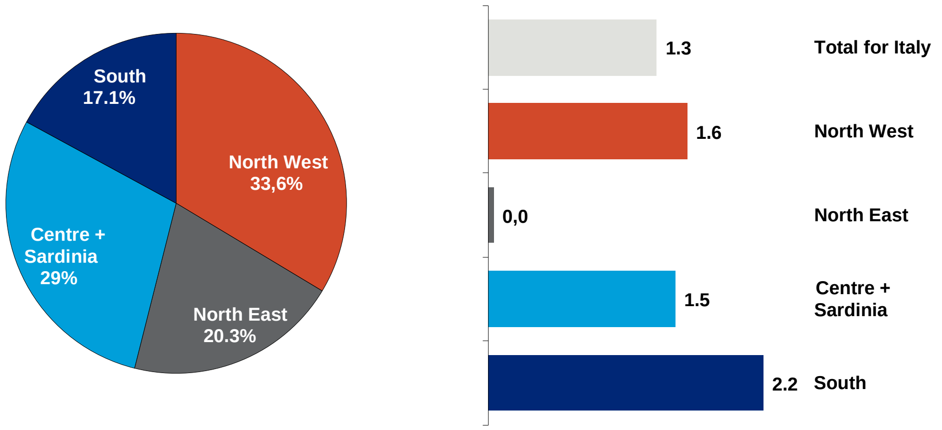


Source: IRI - 52 weeks to June 27, 2021

From here on we will examine the individual performances of the Traditional Petshop channels, and the modern part of the Grocery channel (large-scale retail, i.e. Hypermarkets, Supermarkets and Small independents).

Comparing Traditional Petshops and large-scale retail, the breakdown of sales by area highlights more sales in large-scale retail in the North and more sales in Petshops in the South.

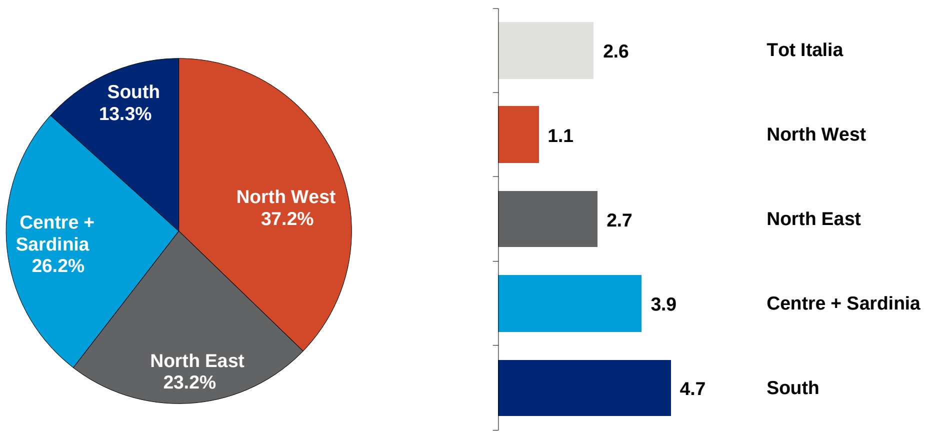
Share of value in the geographical areas and % variation on the previous year - Petshops



Source: IRI - 52 weeks to June 27 2021

In the year ending June 2021, Traditional Petshops saw an increase in turnover in almost all geographical areas except the North East, which reported the same sales in terms of value as the previous year. In terms of volume, the market showed slight growth (+ 0.3%), which was driven by the South (+ 7%) and Central Italy + Sardinia (+ 1.3%); volumes in the North West were down -3.7%, and in the North East by -0.6%.

Share of value in the geographical areas and % variation on the previous year - Large-scale retail[16]



Source: IRI - 52 weeks to June 27 2021

Large-scale retail also saw an increase in terms of value, which was up + 2.6% with a positive contribution from all geographical areas. In terms of volume, there was a slight decrease, -0.4% in Italy as a whole: almost all areas were down (North West -1.3%, North East -1.1%, Centre + Sardinia -0.3%), except for the South (+ 2.1%)

Going further into the detail of the individual segments by channel, below we report the main trends.

[16] Hypermarkets, supermarkets and independent retailers (100-399 sqm)

WET food - CAT:

Sales of wet cat food increased in both large-scale retail and Traditional Petshops

In **large-scale retail**, the **wet cat food** segment **grew** in terms of both **value** (+ 4.7%) and **volume** (+ 2.9%).
Positive results were observed in all areas: the North West, the area with the biggest share (38.7% of turnover), saw an increase of +2.8% (volume + 1.4%), Centre + Sardinia (26.4% of turnover) was up +6.4% (+3.7% in volume), the North East (24.1% of turnover) rose by +4.1% in value and +1.6% in volume, and the South was very dynamic (10.8% of turnover) boosting value by +9.1% and volume by +8.3%.

In **Traditional Petshops** too, **wet cat food grew** in both **value** (+ 6.6%) and **volume** (+ 4%).
Growth was observed in almost all areas: the North West, which accounts for 37.8% of turnover, was up 10.3% in value and +4% in volume; Central Italy + Sardinia - with the second largest market share at 26.2% - saw an increase of +7.8% in value and +8.9% in volume, while the North East (23.6% of the market) went up by 5.2% in value and 1.5 in volume. The South (12.8% of sales by value) was weaker, with turnover down by -3.2% and only a minimal boost in volume (+0.2%).

DRY food - CAT:

Dry cat food: timid signs of growth in large-scale retail, and a decrease for Traditional Petshops

In **large-scale retail** the **dry cat food** segment showed positive signs, though the **growth** was much more **moderate** than that of wet cat food: +0.9% in both value and volume. The geographical areas presented the following scenario: a slight decline in sales in the North West (32.4% of turnover) with -1% in value and -0.3% in volume; the North East (23.6% of turnover) saw a slight growth in value of +0.2% and a decrease in volume of -1.1%; Central Italy + Sardinia (28.9% of turnover) was up +1.8% in value and +1.4% in volume, and the South (15.1% of turnover) performed well, going up +4.5% in value and +5% in volume.

In **Traditional Petshops**, the **dry cat food** segment closed the year in question with a **reduction in sales**: -1.3% in value and -2.8% in volume. The decrease was concentrated in the North: the North West, which channels 24.5% of turnover, saw a reduction in sales of -7.8% in value and -16.5% in volume; the North East (22.7% of turnover) lost 2.9% in value and 3.3% in volume. Positive signals for this segment came from the centre and south: Central Italy + Sardinia (34.6% of turnover) was up 3.6% in value and +4.7% in volume and the South (18.2% of turnover) saw an increase of +1.4% in value and + 3.5% in volume.

WET food - DOG:

Wet dog food: a slight decline in sales in large-scale retail, more pronounced in Traditional Petshops

In the period under analysis, the **wet dog food** segment was down in **large-scale retail**, falling by -0.2% in value and -2.1% in volume.
A decrease in sales was observed in the North of the country: the most important area, the North West (38.6% of value), saw a drop in value of -1% (-2.9% in volume), while in the North East (22.4% in value) sales were down by -0.8% in value (-3.1% in volume). Central Italy + Sardinia (25.2% in value) saw a slight increase in sales, with value +0.9% but volume down by -2.2%; the South (13.8% of the market) saw sales rise by +1.1% in both value and volume.

In **Traditional Petshops**, at year end in June 2021, the **wet dog food** segment was **down** -5.3% in turnover and -7.6% in volume. Losses were observed in all areas except the centre: in the North West (38.1% of the market), -9.5% in value and -15.2% in volume; in the North East (20.6% of total turnover, -7% in value and -8.5% in volume, in the South (16.3% of turnover) -5.7% in value and - 2.3% in volume.
Bucking this trend was the area Central Italy + Sardinia (25% of turnover) which saw growth of + 3.8% in value and +3.1% in volume.

DRY food - DOG:

Dry dog food: sales down in large-scale distribution but up in Traditional Petshops.

During the period under analysis, the **dry dog food** segment was down in large-scale retail, falling by -3.5% in value and -5.5% in volume.
The market saw sales down in all geographic areas: North West (35.2% of turnover) -5.1% in value and -5.7% in volume; in the North East (19.7% of turnover) the figures were -1.8% in value and -4.7% in volume; in Central Italy + Sardinia (26.6% of turnover) the drop was -2.9% in value and - 6.3% in volume and the South (18.4% of turnover) was down -3.3% in value and -4.9% by volume.

Traditional Petshops reported an **increase** of +1.3% in turnover and +1.7% in volume. The most important area, the North West (33.6% of turnover) closed the period under analysis with a fall in volume of -0.9% and a rise in turnover of +2.7%; -3.1% in value and -2.2% in volume were the results for the second area, Central Italy + Sardinia (29.7% of turnover), while the South (19.5% of turnover) reported growth, +5.8% in value and +11.2% in volume as did the North East (17.2% of turnover) + 1.8% in value and +2.2% by volume.

Formats and pack types in large-scale retail, traditional Petshops and Chains

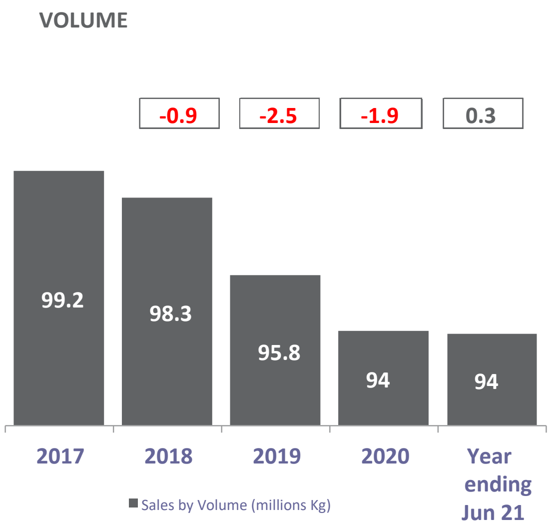
In the world of dog and cat food, bags and cans are the packaging that account for the most sales across channels (50% of the value for bags and 21.1% for cans).

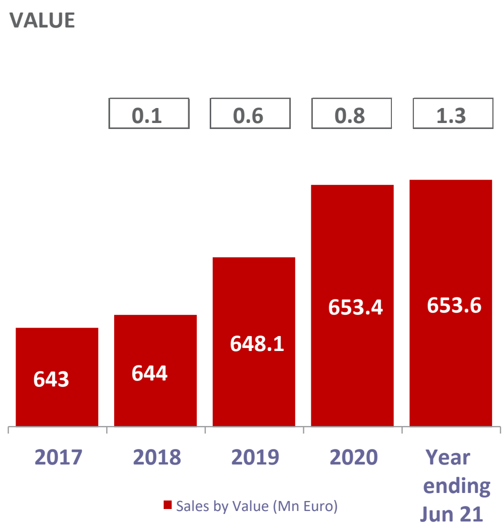
Together they account for 71.1% of the market turnover and 75% of volume. Pouches remain the third most popular type of pack (17.5% of the total market by value) growing across all the channels analyzed, above the market average (+10.6% by value and volume).

Other pack types (trays, boxes), cover the rest of the market.

As for the formats, each segment has its own classification, and each channel presents different dynamics, which mean they need to be examined separately (see following pages). One aspect common to all channels is the wet cat food segment, where formats <120g (single portion) represent 88%-90% of sales in the specialized channels (traditional pet shops and chains) and around 94% in large-scale distribution.

TRADITIONAL PETSHOPS - PERFORMANCE OVERVIEW

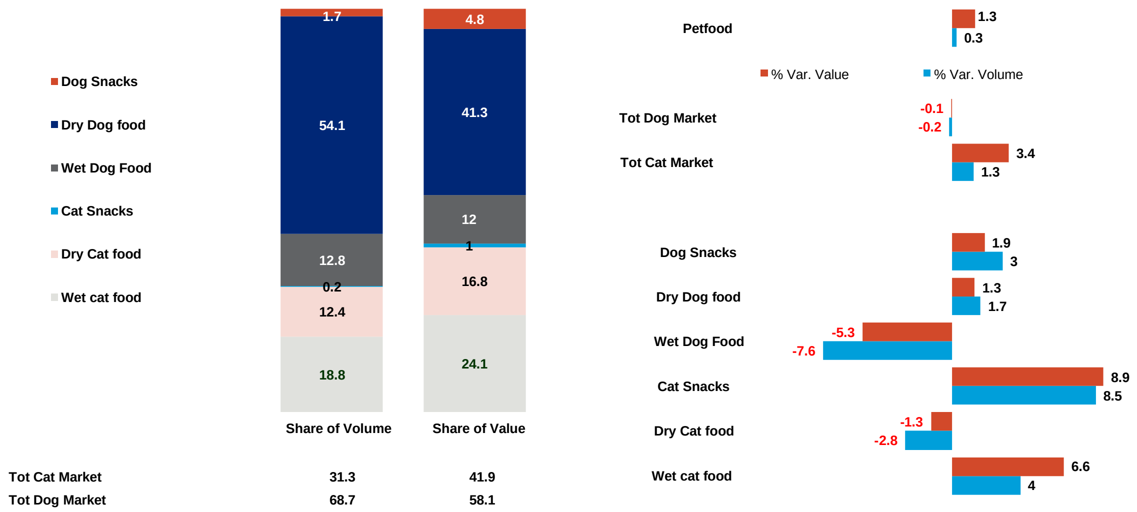




Source: IRI - 52 weeks to June 27 2021

As for the dog and cat food market in the Petshop channel, in the year ending June '21 there was a slight recovery in terms of turnover (+1.3% compared to last year) and volume (+0.3% towards last year).
Dog food continued to be the leading category in Traditional Petshops, making around 380 million euros, i.e. 58.1% of the channel's turnover. Cat food was worth around 274 million euros and 41.9% of turnover. Dog and cat foods performed differently in this channel: while cat food saw a 3.4% increase in turnover, dog food remained basically stable.

The dog and cat food market in Petshops: weighting and trends of the segments



Source: IRI - 52 weeks to June 27 2021

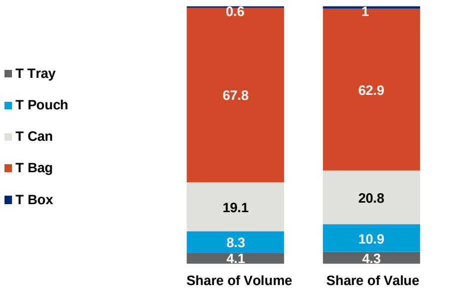
Pack types and formats in Petshops

Pack types

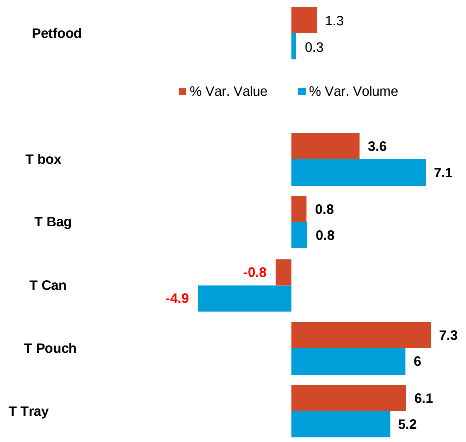
Given the large average assortment, it is particularly interesting to observe the composition and trends of the different pack types formats in Traditional Petshops.

In the pet food market as a whole, the classic pack types prevailed in terms of both volume and value: bags for dry food and cans for wet food.

Weighting and % variation at YE Jun'21 vs YE Jun'20 of the various formats



	Share of Volume	Share of Value
T Tray	4.1	4.3
T Pouch	8.3	10.9
T Can	19.1	20.8
T Bag	67.8	62.9
T Box	0.6	1



Source: IRI - 52 weeks to June 27, 2021

Bags and cans are the most popular formats. Pouches (yes) and trays are the most dynamic.

Together, bags and cans account for around 87% of market volume. Bags were up slightly by + 0.8% in both value and volume, while this year cans were down -4.9% by volume and 0.8% in value.
Pouches continued to grow (+ 7.3% in value, + 6% in volume) reaching a market share of 10.9%; trays also continued to grow, + 6.1% in value and + 5.2% in volume.

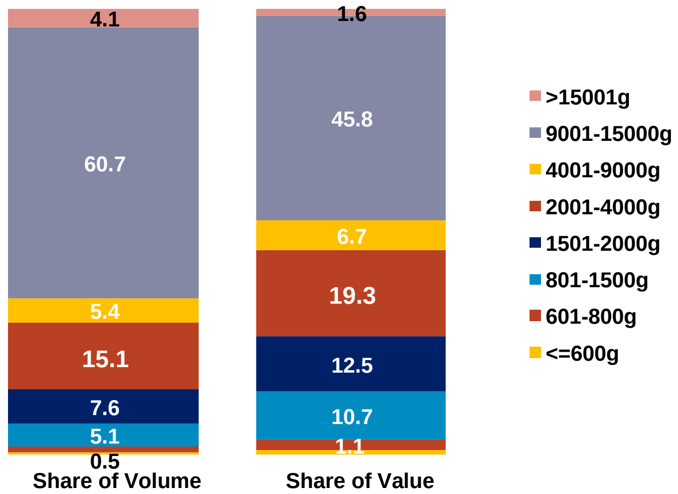
Formats

- *in DOG food*

In **dry foods**, bags continue to be the most popular format.
The bigger size bags, 9-15 kg, represent the bulk of the market (60.7% of volume and 45.8% of turnover) and smaller 2-4 kg formats (15.1% of volume and 19.33% of turnover), usually used for food for small dogs or highly segmented or functional product lines.
The main format, bags between 9 and 15 kg, saw an increase of +2.3% in value and +2.2% in volume; sales of 2-4kg bags fell by -0.4% in volume but grew in value by + 0.9%.
Sales of 4-9 kg bags (6.7% of value share) picked up, increasing in value by 11% and 17.3% in volume.
Sales of bags between 1.5kg and 2kg (12.5% of the market) went down -2.3% in value and -1.9% in volume.
The negative trend affecting formats between 601g and 800g (2.4% of the market) continued, with a fall of -22.9% in value and -18.3% in volume.
Sales of formats sized between 801g and 1,500g (10.7% of the market) went up by +4.8% in value and + 3.2% in volume.
Sales of small formats (<600g) continued to grow, reaching 1.1% of the market, up +6.3% in value and

+15% in volume. Formats >15kg (1.6% market share) lost -7.1% in value and -3.1% in volume.

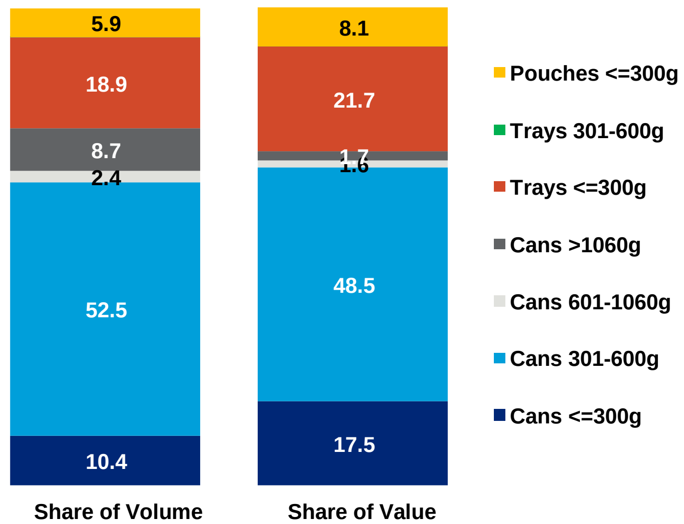
Market shares of the different formats – dry food for DOGS



Source: IRI - 52 weeks to June 27, 2021

As for wet foods, the main format remains that of the medium-sized can, 300g-600g, which corresponds to one meal for a medium-sized dog. This format accounts for 48.5% of turnover (-4.1% in value and 6.2% by volume).
Sales of <300g formats (47.4% of turnover) also went down (-6.4% in value and -8% in volume): trays (21.7% market share) were down 6% in value and -7.7% in volume; cans <300g (17.5% of market share) lost 11% in value and 13.5% in volume; pouches >300g (8.1% of market share) went down in volume by 1.5%, while turnover grew by + 2.2%.
Sales of 600g -1060g cans went down both in value (-6.2%) and volume (-10.6%); >1060g cans also lost out (-21% in value and -15.1% in volume).

Market share of formats - wet foods for DOGS



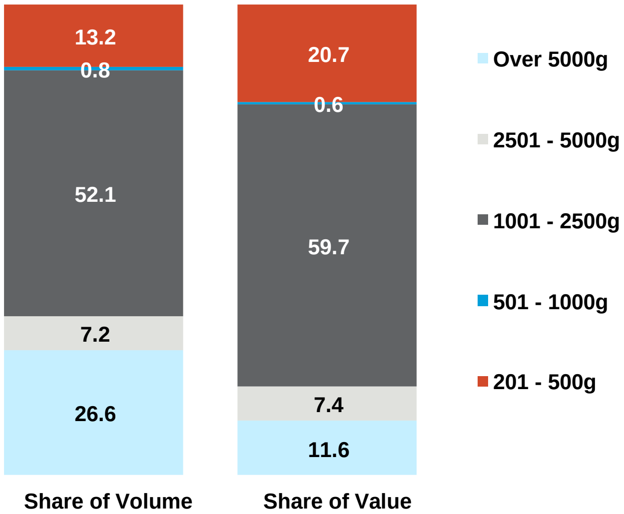
Source: IRI - 52 weeks to June 27, 2021

- *in CAT food*

The most popular dry food format is the 1-2.5 kg format (59.7% in value), followed by the 201g-500g format (20.7% in value). Both dropped this year, the former by -2% in value and -3.8% in volume and the

latter by -3.1% in value and -5.8% in volume.
Formats over 5 kg (11.6% of market share) went up + 3.4% in value and down –0.7% in volume, while sales in the 2 to 5kg formats continued to grow (7.4% market share), going up + 3.9% in value and + 3.8% in volume.

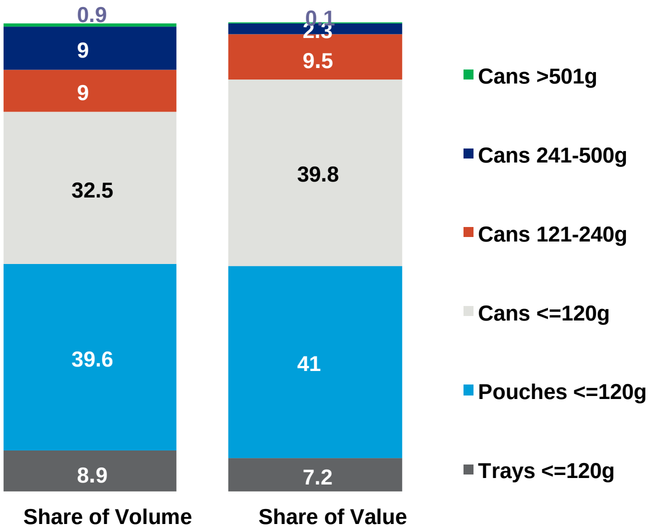
Market share of the formats - dry food for CATS



Source: IRI - 52 weeks to June 27, 2021

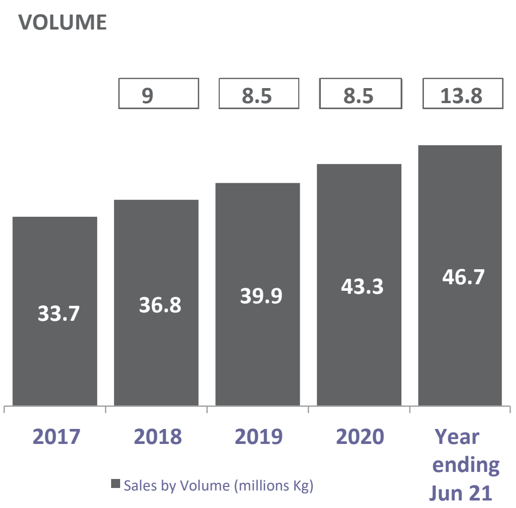
As for wet foods, cans had a market share of 51.8% (+ 3.3% in value and -1.1% in volume), pouches 41% (+ 7.3% in value and + 6% by volume) and the rapidly growing tray segment cornered 7.2% of the market. The <120 g format (single-serve packs, the sum of the three formats) generated about 88% of turnover: pouches rose in value by + 7.2% (+ 5.9% in volume), cans by + 4.9% in value (+ 4.1% in volume) and trays by + 34.6% in value (+ 36.1% in volume).
Sales of 121g-240g cans went up (+ 4.5% in value and + 3.4% in volume); while 241g-500g cans went down (-19.8% in value and -17.8% in volume).

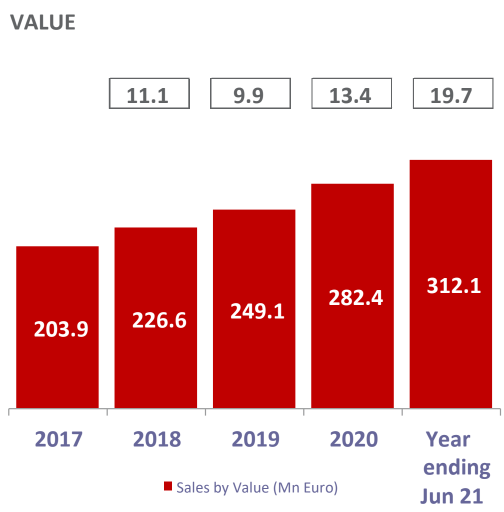
Market share of formats - wet foods for CATS



Source: IRI - 52 weeks to June 27 2021

PETSHOP CHAINS - PERFORMANCE OVERVIEW





Source: IRI - 52 weeks to June 27 2021

In the year ending June '21, chains continued to grow, with an increase in turnover of +19.7% and volume of +13.8%.

Dog food accounts for 53.2% of turnover (166 million euros, 29.2 thousand tons), and cat food was 46.8% of turnover (146 million euros and 17.5 thousand tons).

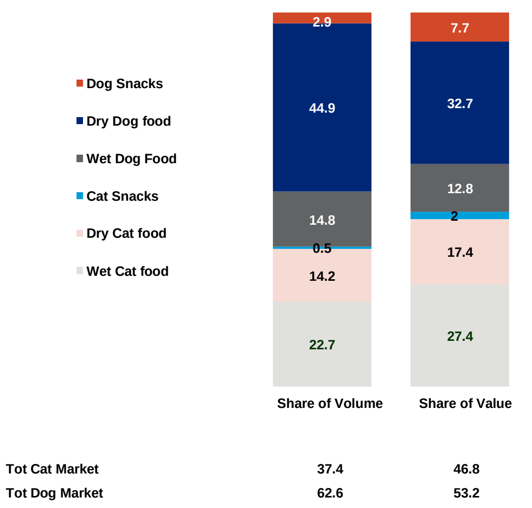
All segments showed growth, with cat food reporting a higher growth than dog food.

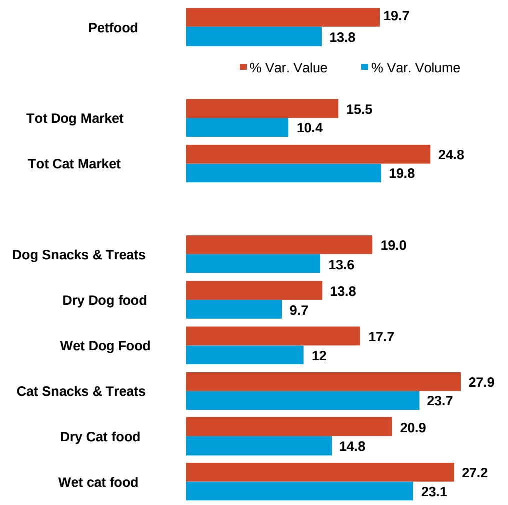
The Chains are a developing format that integrates the benefits of Traditional Petshops, with their specialization and innovation, with the assortment and displays typical of the Grocery sector.

Chains sold a higher percentage of cat food than traditional Petshops

Like last year, compared to Traditional Petshops, the Chains channelled more cat food (37.4% by volume vs 31.3% in Traditional Petshops), and wet cat food in particular (22.7% by volume vs 18.8% in Traditional Petshops).

The dog and cat food market in the Chains: market share and trends in the various segments





Source: IRI - 52 weeks to June 27 2021

Pack types and formats in the Petshop chains

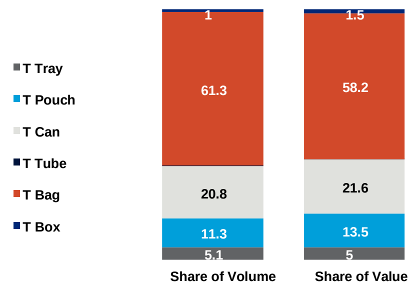
Pack types

Cans, pouches and trays were more popular in chains than in traditional petshops

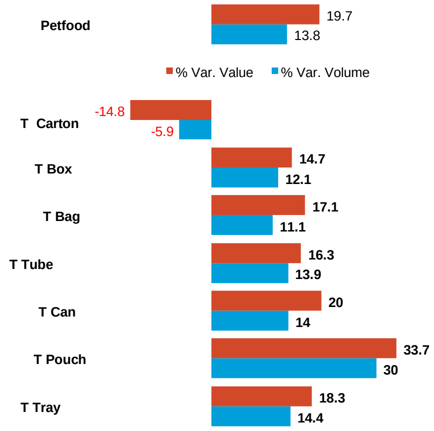
In the Chains too, the main formats were bags and cans, with the former top for dry foods, the latter for wet foods.

When it comes to the market as a whole, in the Petshop Chains a higher percentage of cans, pouches and trays were sold than in Traditional Petshops, with bags losing out.

Market share and % variation YE Jun'21 vs YE Jun'20 of the various formats



	Share of Volume	Share of Value
T Tray	5.1	5
T Pouch	11.3	13.5
T Can	20.8	21.6
T Tube	0.3	0.1
T Bag	61.3	58.2
T Box	1	1.5



Source: IRI - 52 weeks to June 27, 2021

Formats

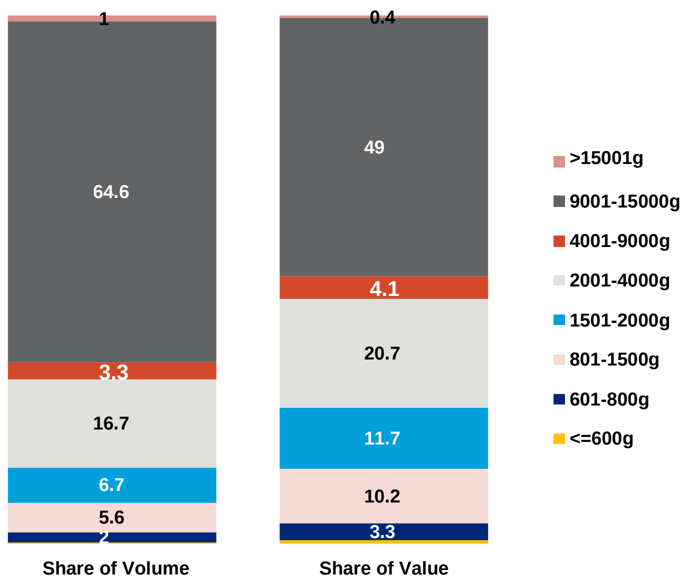
- *in DOG food*

In **dry foods**, bags continue to be the most popular format.

In the Chains too, the bigger size bags, 9-15 kg, continue to be the most popular format (49% of turnover and 64.6% of volume), followed by smaller sizes, 2-4 kg (20.7% of turnover and 16.7% of volumes).

There was growth in all formats: the most popular formats, 9-15kg, grew by +11.5% in value and +8.2% in volume; the second, 2-4kg grew by +13.6% in value and 9.9% in volume; the third, 1.5-2kg, grew by +18.6% in value and +16.9% in volume; the 801g-1.5kg format rose by +10.2% in value and +5.6% in volume, the 601-800g format grew by +8% in value and +13.7% in volume, and there was double-digit growth for the 4-9kg format (+37.2% in value; +35.8% in volume).

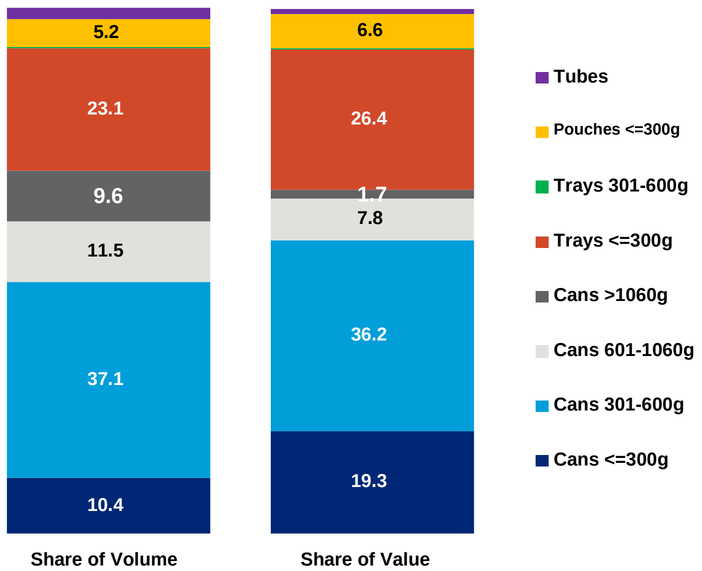
Market share of the different formats – dry food for DOGS



Source: IRI - 52 weeks to June 27, 2021

When it comes to **wet foods**, the main segments are medium-sized cans, 300g - 600g (36.2% of turnover and 37.1% by volume) and trays <300g (24.4% of turnover and 23.1% of volume).
All formats showed growth: medium-sized cans, 300g - 600g (+17.7% in value and +12.1% in volume), trays <300g (15.1% in value and +10.6% in volume), cans <300g (+19.6% in value and +15% in volume). The latter, garnering a 19.3% share of turnover, was the third most important format in this segment.
600 g-1060g cans also did well (+14.3% in value and +13.8% in volume), accounting for 7.8% of the segment's turnover; and <300g pouches were on the up (+39.5% in value and +32.9% in volume), covering 6.6% of turnover. Sales of >1060g cans were down (-10.5% in value, albeit with a slight increase in volume)

Market share of formats - wet foods for DOGS

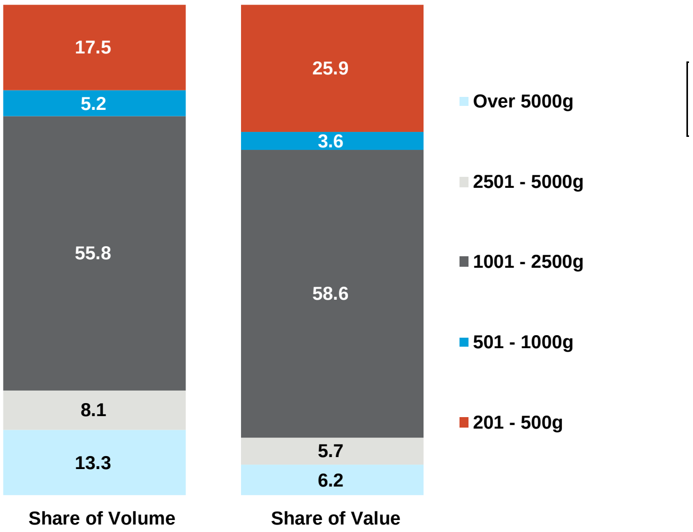


Source: IRI - 52 weeks to June 27, 2021

- *in CAT food*

As for **dry foods**, the most popular format were 1 to 2.5 kg packs (58.6% in value) which grew by +22.2% in value and +16.3% in volume, followed by the 201-500 g format (25.9% in value) which grew by +19.5% in value and + 12.8% in volume.
The positive trend continued for the 2.5kg-5kg formats (+18.5% in value and +7.7% in volume) and for the >5kg format (+12.1% in volume and +15.3% in value). The 501g-1kg format also performed well (+23.9% in value and +24.7% in volume).

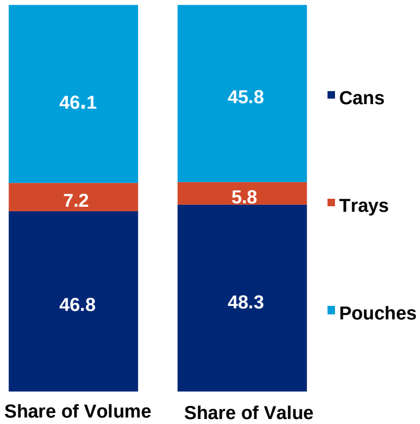
Market share of the formats - dry food for CATS

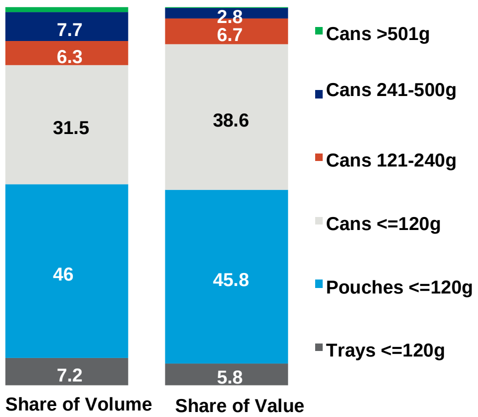


Source: IRI - 52 weeks to June 27, 2021

As for the **wet cat food** segment, in terms of value cans accounted for 45.8%, trays for 5.8% and pouches for 48.3%. The most dynamic format was the pouch (+33.1% in value, +29.6% in volume), followed by the tray (+28% in value and +26.6% in volume), with cans also growing (+22% in value and +16.8% in volume). Compared to Traditional Petshops, chains sold proportionally more of the <120g format, which accounted for 89.9% of the total value of wet cat foods.

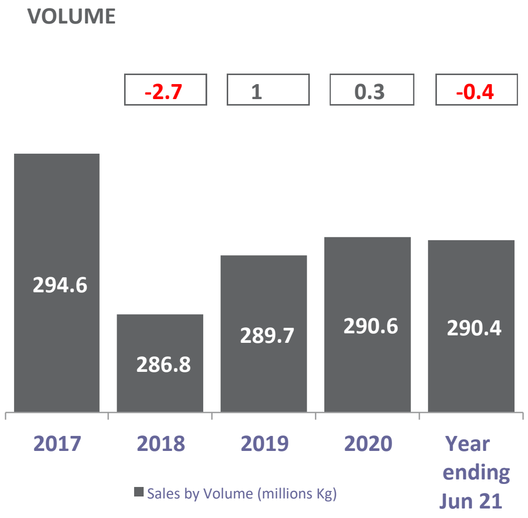
Market share of formats - wet foods for CATS

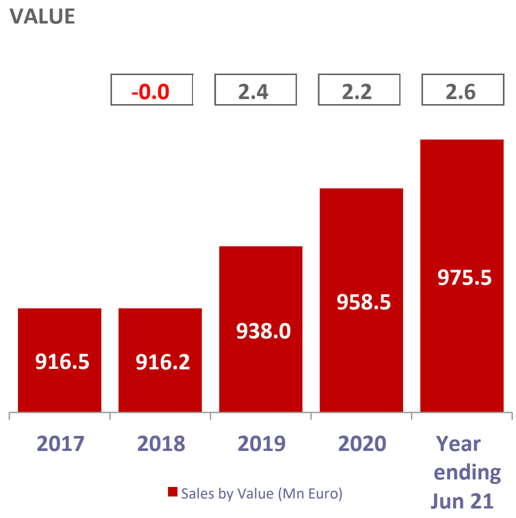




Source: IRI - 52 weeks to June 27, 2021

LARGE-SCALE RETAIL - PERFORMANCE OVERVIEW



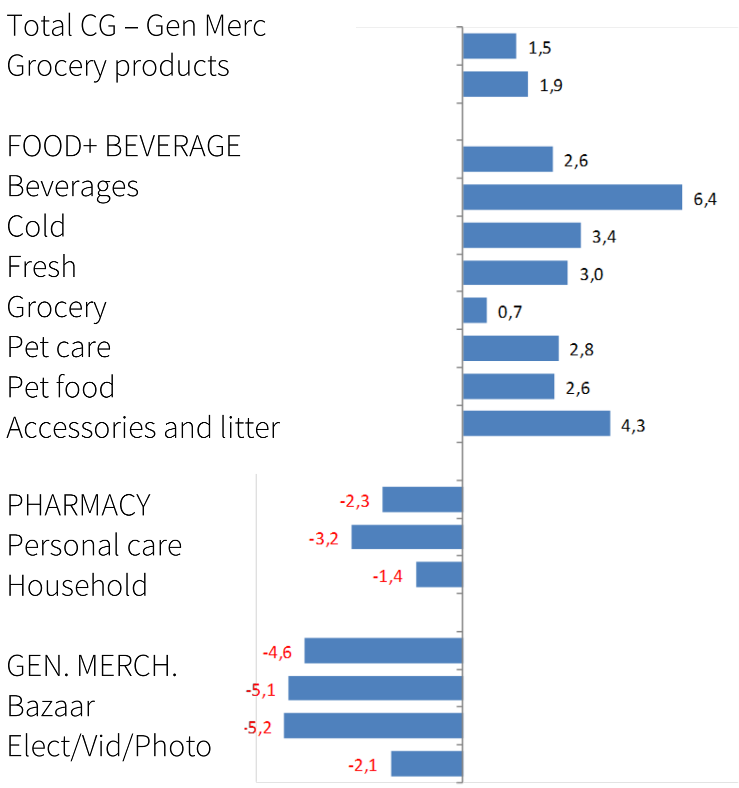


Source: IRI - 52 weeks to June 27 2021

In the year ending in June 2021, the market for dog and cat food in large-scale retail (Hypermarkets + Supermarkets + Small independents) saw turnover rise by +2.6%, while volumes were down slightly, -0.4%.

In the large-scale retail category, pet food continued to outperform packaged consumer goods as a whole, with sales up +1.9%.

Analysis of sales by value in large-scale retail



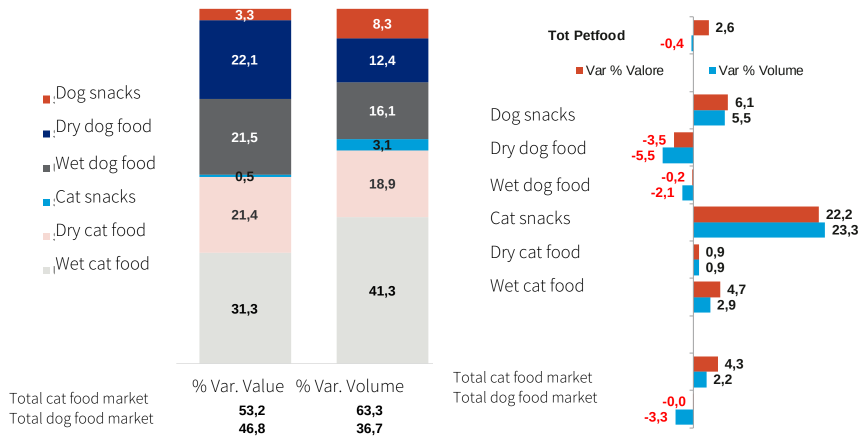
Source: IRI - 52 weeks to June 27, 2021

In the large-scale retail category, cat food was worth 617 million euros and accounted for 63.3% of pet food turnover, while dog food brought in 358 million euros and cornered the remaining 36.7% of the pet food market. In terms of volumes, cat food accounted for 53.2% of the market and dog food 46.8%.

Sales of snacks continued to grow, with a positive trend for cat products and a dip in volume for dog products

Wet foods, which represent the majority of sales, showed **growth**, accounted for by wet cat food (+4.7% in value and 2.9% in volume) while wet dog food was down (-0.2% in value and -2.1% in volume); overall, **dry foods were down**, due to the drop in dry dog food (-3.5% in value and -5.5% in volume) while sales of dry cat food were slightly up (+0.9% both in volume and in value); the **positive trend in snacks** continued.

The dog and cat food market in large-scale retail: market share and trends in the various segments



Source: IRI - 52 weeks to June 27, 2021

Pack type and formats in large-scale retail

Pack types

In the large-scale retail sector, as in Petshops, bags and cans were the best-selling formats in terms of volume, followed by pouches and trays.

More of a balance between cans and bags, compared to Petshops

In the large-scale retail sector, compared to Petshops, there was much more balance between these two pack types, albeit with different shares in terms of food types (dry and wet) between the two channels.

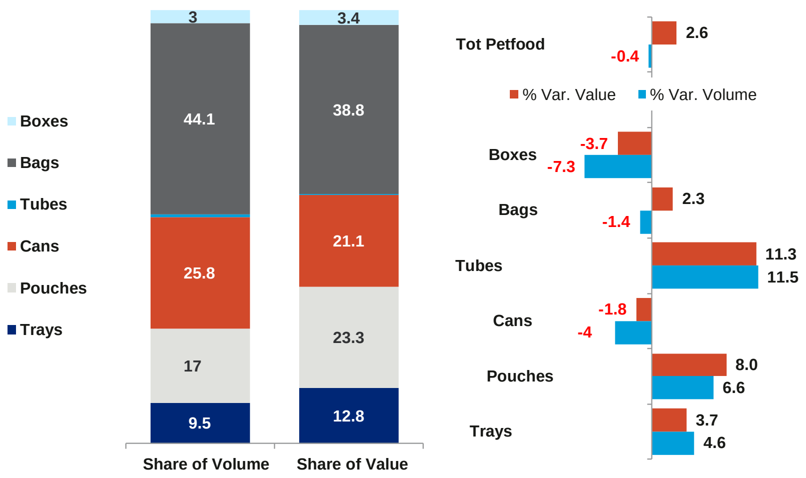
In Petshops, as outlined above, the proportionally higher sales of dry food meant more sales of bags. In large-scale retail, bags were the leading format in terms of sales (accounting for 38.8% of value and 44.1% of volume), but, given the prevalence of wet foods, cans accounted for a proportionally greater share than in Petshops, accounting for 21.2% of turnover and 25.8% of volume.

In large-scale retail, pouches and trays sell proportionally more than in Petshops, with a value share of 23.3% compared to 12.8%.

As these are typically premium-tier products, they have a higher proportion of value to volume: in the large-scale retail sector, in terms of value, pouches were second only to bags.

Boxes were also fairly popular in large-scale retail outlets, unlike Petshops where they are decidedly marginal. Dog food in tube format occupies a tiny part of the market.

Market share and % variation of the various formats in YE Jun'21 vs YE Jun'20



Source: IRI - 52 weeks to June 27, 2021

Bags and pouches showed the most positive trends

When it comes to trends, sales of bags grew in value by +2.3% while volume fell by 1.4%; sales of cans continued to go down both in volume (-4%) and value -1.8%. Pouches continued to grow (+ 8% in value, + 6.6% in volume); trays were also up +3.7% in value and +4.6% in volume.

Formats

- *in DOG food*

Bags are the only format for dry foods.

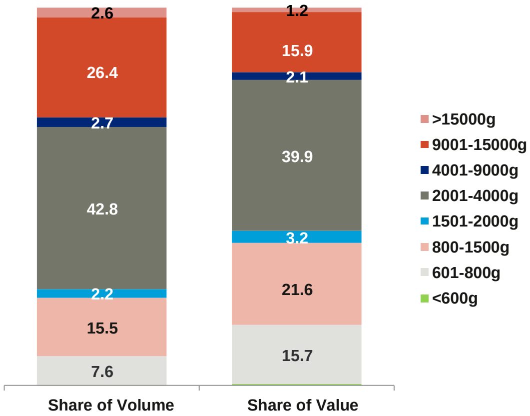
The 2 to 4 kg formats (39.9% of turnover) continued to be the main seller, albeit dropping in both value (-2%) and volume (-4.9%); the second most popular format was the 801g to 1.5kg size (21.6% of value), which nonetheless saw a significant decline (-12.8% in value and -13.5% in volume).

The third format, 9kg-15kg (15.9% of the segment's turnover), fell in value by -3.9% and in volume by 6.8%.

The 600-800g format (15.7% of turnover) continued to grow, at an above average rate: +6.8% in value and +10.1% in volume.

The decline in the 1.5kg-2kg format continued (-7.5% in value and -6.3% in volume), while the 4kg-9kg format saw a slight decrease in volume (-0.3%) but an increase in turnover (+2.1%).

Market share of the different formats - dry food for DOGS



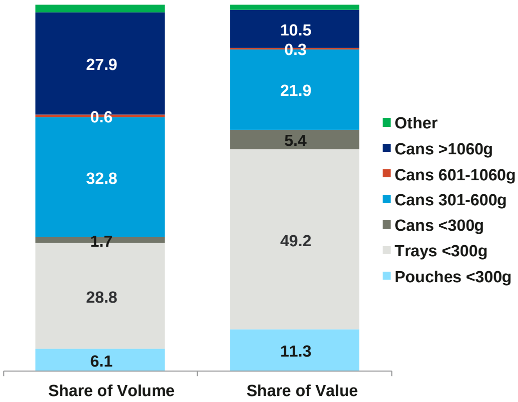
Source: IRI - 52 weeks to June 27 2021

As for **wet foods**, in terms of value the main format is <300g tray (49.2% of turnover), which grew in both value, +1.1% and volume, +1.9%. Sales of <300g pouches fell slightly in terms of value (-0.3%) but grew in volume, +0.5%. <300g cans showed steady growth, + 16.6% in value and + 20.9% in volume: this format has a lesser impact in large-scale retailers than in Traditional Petshops, accounting for only 5.4% of turnover compared to 19.3%.

300g-600g cans (21.9% share in value) went down -3.9% in value and -4.6% in volume.

Sales in >1060g cans continued to fall. The fourth format in terms of value (10.5% market share), it dropped by -7.5% in value and -5.8% in volume.

Market share of formats - wet foods for DOGS

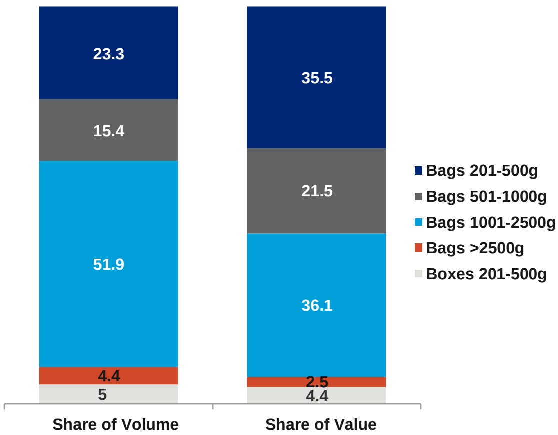


Source: IRI - 52 weeks to June 27, 2021

- *in CAT food*

As for **dry foods,** 1 to 2.5 kg bags, with a market share of 36.1%, continued to be the most important format, with a growth of + 3.8% in value and +1.7% in volume; 201 to 500g bags (35.5% market share) saw an increase of + 3.6% in value and + 6.7% in volume; 500g to 1kg bags (21.5% market share) fell by -3.2% in value and -2.1% in volume; 201-500g boxes represented 4.4% of market turnover but fell steeply (over -25% in value and volume).

Market share of the formats - dry food for CATS



Source: IRI - 52 weeks to June 27 2021

When it comes to **wet foods**, again there were differences compared to Traditional Petshops. Pouches were the best-selling pack type, representing 51.8% of the market, followed by cans (36.3%) and trays (11.9%).
Both pouches and cans continued to grow: sales of pouches rose by + 8.7% in value and + 7.1% in volume, and trays by +8.3% in value and +10% in volume. Cans were down -1.5% in value and -3.6% in volume.

In the large-scale retail sector, 93% of turnover came from single-portion formats

In terms of pack sizes, the <120g segment represents over 93% of market turnover and grew in value by +5.6% and volume by +4.8%. Growth came from pouches and trays, while cans were down 0.3% in value and -3.5% in volume.

Market share of formats - wet foods for CATS

Source: IRI - 52 weeks to June 27, 2021

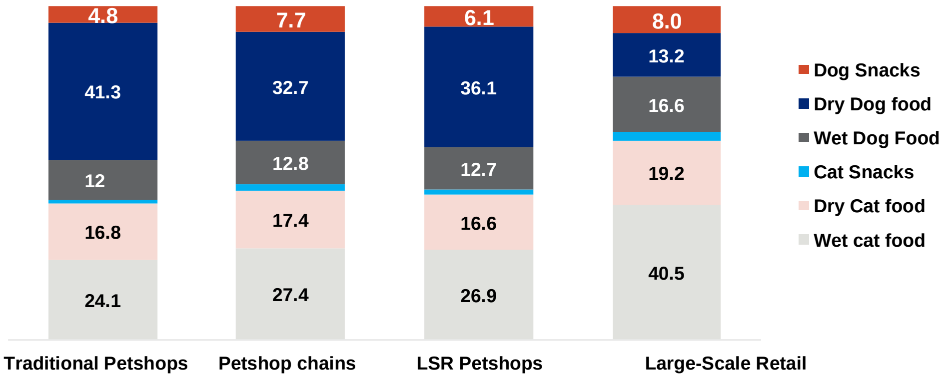
Large-scale retail petshops

In the year ending June 2021, the **large-scale retail Petshops**[17] generated a turnover of 43.6 million euros and sold a total of 7,477 tons of dog and cat food.

Dog food continued to be the most important category in large-scale retail Petshops, totalling sales of 23.9 million euros, 54.9% of the channel's turnover. Cat food saw sales of around € 19.6 million, 45.1% of turnover.

In terms of segmentation, the large-scale retail Petshops have a very similar profile to the Petshop Chains, with greater sales of dog food compared to large-scale retail.

The dog and cat food market in large-scale retail Petshops: a comparison with the other channels



Cat market	**41.9**	**46.8**	**45.1**	**62.3**
Dog market	**58.1**	**53.2**	**54.9**	**37.7**

Source: IRI - 52 weeks to June 27, 2021

In terms of product assortment, large-scale retail Petshops have a wide, deep assortment, and are particularly specialized in functional products and special diet foods, like the Petshop chains. The average number of products is 2,332 (May-June 2021) vs the average of 2,601 for Petshop Chains.

[17] Large-scale retail Petshops: points of sale dedicated to the sale of pet food and accessories, belonging to companies in large-scale retail. The data contained in the report regards a leading panel of 86 points of sale - Amici di Casa Coop, Petstore Conad, Animali Che Passione, Joe Zampetti, Pet Elite (Selex) and Ayoka (Vegè Multicedi).

PRIVATE LABEL PRODUCTS IN LARGE SCALE RETAIL AND CHAINS

In the year ending June 2021, **Private Label** products continued to increase their turnover, gaining a market share of 19%* out of total packaged consumer goods (Food and non-Food), which represents a slight drop, -0.2 points, compared to the previous year, due to slower growth than the overall market. (*nota: Turnover from Private Label products out of total packaged consumer goods sold in Hypermarkets, Supermarkets, Small independents and Personal Care and Household retailers)

In the year ending June 2021, high end private label products (premium, functional, organic/green, locally sourced products with geographical denominations) continued to be the main driver of growth. In general therefore, while continuing to target buyers who prioritize value for money, brands are trying to ride emerging consumer trends and open up to new buyers who, while being price-conscious, prefer a richer, more differentiated range of products, such as organic, premium, functional and locally sourced.

In the pet food market private label products account for 20.7% of turnover and 33.3% of volumes (Large-scale retail+Chains)

In the Pet food market - Large-scale retail channel - Private Label products achieved a market share of 20.6%, down -0.5 points compared to the previous year (Hypermarkets + Supermarkets + Small independents); the value share of Private Label products rose to 32.7% (+0.7 points compared to the previous year) in relation to total Grocery channel sales. The growth of Private Label products in the overall Grocery market is accounted for by the significant increase in the Discount channel, where private labels represent 78% of market in terms of value.

When it comes to Chains, Private Label products represent 21.3% of the pet food turnover in this channel (-0.3 points compared to the previous year).
In the year ending June 2021, in Chains, Private Label products contributed to the growth of the market with a growth rate substantially in line with the rest of the market. The expansion of the average number of products, which equates to an increase in shelf visibility, continues to be an important driver for the growth of Private Label products in chains, which goes hand in hand with the customer loyalty linked to a good price/quality ratio.

PROMOTIONAL CAMPAIGNS

In the year ending June 2021, the market for packaged consumer goods developed a level of promotional pressure equal to 25.6% of total turnover, up 0.9 points compared to the previous year.

In large-scale retail, promotionally priced Pet food accounted for 24.2% of market turnover (-0.1 points compared to the previous year) with an average discount of 23% (in line with last year).

Promotional pricing was applied at a higher level to cat food (26.8%) than dog food (19.8%).

In the Petshop Chains, promotional pricing accounted for 14.8% of sales (-1.8 points compared to the previous year). And in Petshop Chains too more promotions were applied to cat food than dog food (16% vs 13%).

In the year ending June 2021, in **Specialized retailers**[18] the **Pet food** category saw a **slight increase in promotional campaigns** (106 titles on flyers, +0.1% compared to the previous year), but the number of flyers decreased (243, -4.3% compared to the previous year) a sign that retailers are centralizing operations with fewer differences in terms of assortments and/or prices at a local level.
The number of products per page has increased significantly (pages are more crowded) as has the number of pet food products per flyer (more promotions).
There was also an increase in the average number of days for the flyers, presumably linked to aiming for greater efficiency.

When it comes to **Hypermarkets and Supermarkets**, **the number of campaigns** (titles on flyers) in the pet food category was basically **in line with last year** (7,411, -0.2% vs the previous year) but the number of flyers rose (23,474, + 1.1% vs the previous year), a sign that large-scale retailers are more localizing offers more, diversifying in terms of assortments and/or price points.
There was a slight reduction in both the number of products per page, making for simpler visuals, and the average number of pet food products on the flyer.
Large-scale retailers also increased the average duration of flyers in days.

Analysing the trends in the number of flyers for both channels, the figures confirmed that flyers are an important component in the promotional strategy for the Pet food category.

[18] Source IRI IN-STORE FLYER® (www.instoreflyer.it produced in collaboration with Qberg srl): monitoring of flyers of Hypermarkets, Supermarkets, independent retailers, specialist pet stores (brands: Arcaplanet, Maxizoo, Petstore Conad, L'isola dei Tesori, Elite Pet, Friends of Casa Coop, Viridea,Animali che Passione)

FOODS FOR OTHER TYPES OF PETS

As in previous years, the segment of food for other pets was analyzed in relation to purchases made in the three channels of large scale retail; hypermarkets, supermarkets and small independent stores.

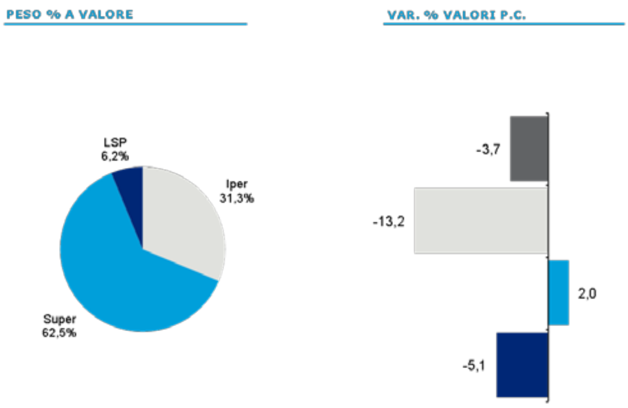
The negative trend in food for other animals continues

In the year ending June 2021, the market for "**food for other pets**" continued to decline in value, albeit with a slight increase in volume: with a turnover of just over 12 million euros, it saw a reduction in sales of –3.7% in value (+ 1.9% in volume).

	Year Ending Jun' 21	% Variation
Sales in value (Euro)	12,009,553	-3.7
Sales by volume	2,804,259	1.9
Sales in Units	5,206,786	-3.1
Average price by volume	4.28	-5.5

Source: IRI - 52 weeks to June 27, 2021

The market showed a significant decline in hypermarkets (-13.2% in value) and Small independent stores (-5.1% in value); in the period under analysis, Supermarkets, which account for 62.5% of turnover, saw an increase of +2%.
The assortment was basically stable.



N. MEDIO DI REFERENZE

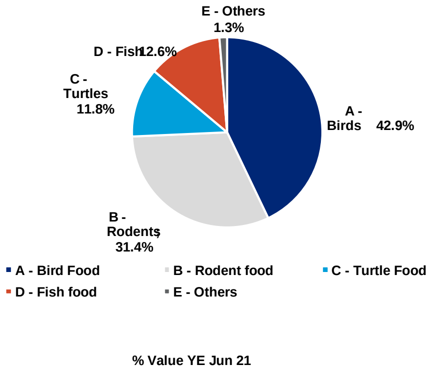
	GIU20	GIU21
Totale Italia	33,3	33,1
Iper	74,0	76,5
Super	18,0	18,1
LSP	3,5	3,7

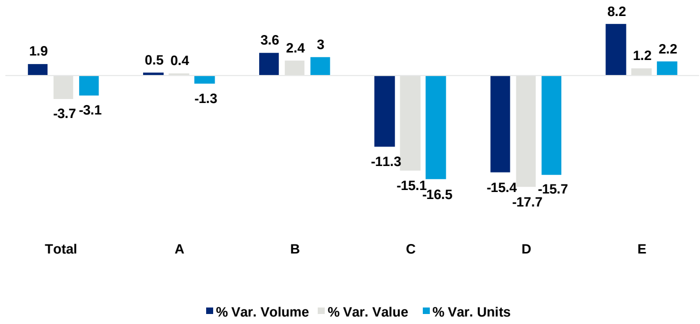
Source: IRI - 52 weeks to June 27 2021

The main segment was bird food, which accounts for 42.9% of value (49.8% of volume), with sales showing slight growth (+0.4% in value, +0.5% in volume). This was followed by food for rodents (31.4% of turnover and 39.6% in volume), which also grew (+2.4% in value and +3.6% in volume) compared to last year.

Negative trends were also confirmed for the minor segments - turtle and fish food.

Market share of different foods by type of animal





Source: IRI - 52 weeks to June 27 2021

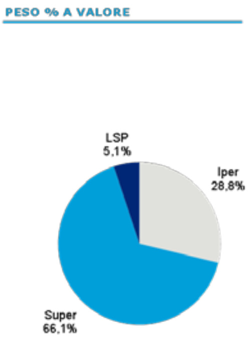
ACCESSORIES

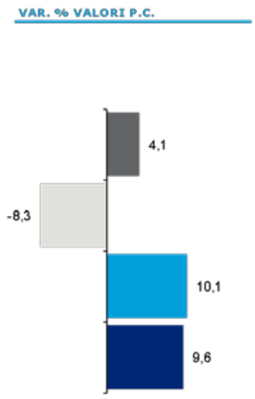
In the year ending June '21, the market for **accessories** in large-scale retail saw an **increase in turnover** of 4.1% and an increase in **units sold** of 7%.
It should be noted that, as for the other categories, the accessories market (which includes hygiene products, toys and other accessories, i.e. leashes, beds, bowls, cages, aviaries, aquariums, turtle tanks and various utensils), the channel in question is the sum of Hypermarkets, Supermarkets and Small independents.

	Year Ending Jun' 21	% Variation
Sales in value (Euro)	75,096,115	+4.1
Sales in Units	18,948,633	+7
Average Unit Price	3.96	-2.7

Source: IRI - 52 weeks to June 27, 2021

The growth in market turnover is accounted for by Supermarkets which, with over 66% of turnover, saw a growth of +10.1%, and Small Independents, which represent 5.1% of sales, and saw an increase of +9.6%. Sales in hypermarkets were down.





N. MEDIO DI REFERENZE

	GIU20	GIU21
Totale Italia	135,3	135,0
Iper	325,5	342,9
Super	68,3	66,2
LSP	5,8	6,6

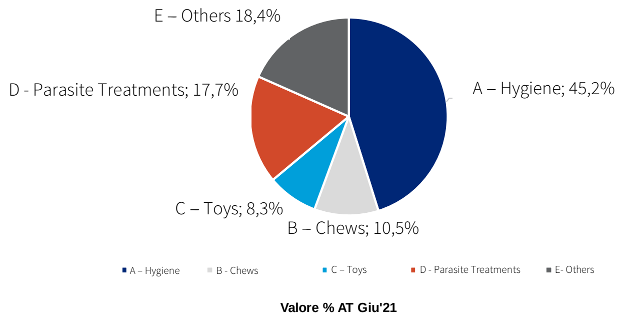
Source: IRI - 52 weeks to June 27, 2021

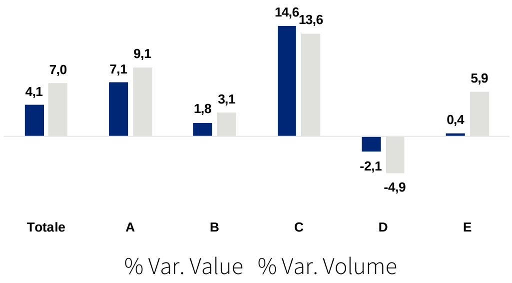
The market showed positive trends in almost all the main segments except for parasite treatments.

The positive trend in hygiene products continued

The fastest growing segments were animal hygiene products (house training pads, wipes, shampoos, brushes, deodorants, everything related to pet care and grooming), which rose by 7.1%, and toys, with an increase in value of +14.6%: these trends are due to the higher number of animals and the fact that people are spending more time with their pets than in the pre-pandemic period. Sales of chews also rose slightly (+1.8% in value).

Market share of the various accessories





Source: IRI - 52 weeks to June 27, 2021

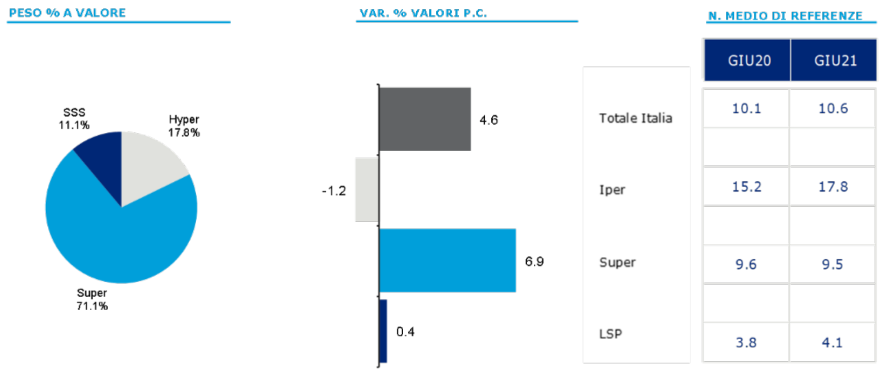
The positive trend in cat litter continued

Although **cat litter products** could be classed as hygiene accessories, they are considered separately, as they represent the most important non-food segment in the large-scale retail channel; indeed in the year ending June 2021 it was worth over 78 million euros. In the year ending June '21, the market grew in value by +4.6% and in volume of +3.1%.

	Year Ending Jun' 21	% Variation
Sales in value (Euro)	78,322,559	+4,6
Sales by volume	117,217,492	+3.1
Sales in Units	23,230,573	+3
Average price by volume	0.67	+1.5

Source: IRI - 52 weeks to June 27 2021

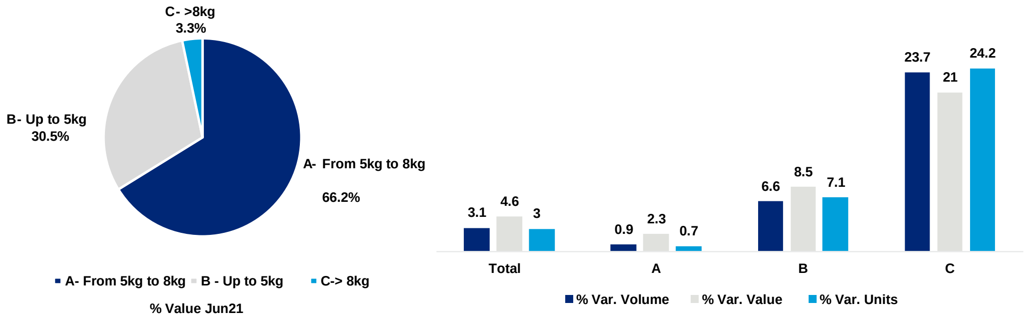
When it comes to the performance of the various channels, Supermarkets, which carry 71.1% of market turnover, saw a growth in value of 6.9%; small independent retailers also showed slight growth (+ 0.4%), while hypermarkets were down (-1.2%).



Source: IRI - 52 weeks to June 27 2021

The best-selling pack sizes (value share of 66.2%) are those between 5 and 8 kg, which increased in value by +2.3%. Compact formats, up to 5 kg, also saw continued growth (+8.5% in value, +6.6% in volume), which translates to lower takings, even though these are actually more expensive proportionally than the larger packs. Sales of packs over 8kg rose by more than 20%.

Market share of cat litter products



Source: IRI - 52 weeks to June 27 2021

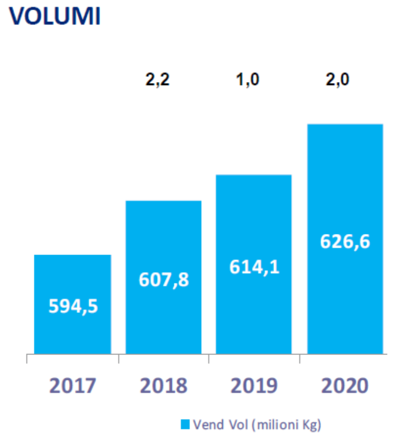
FOCUS: THE MARKET AT THE END OF 2020

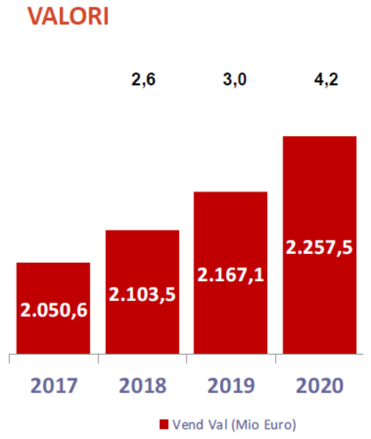
DOG AND CAT FOOD

The main channels - Grocery, Traditional Petshops and Petshop Chains (L'isola dei Tesori, Maxi Zoo, Croce Azzurra, Italpet, Zoo Megastore, Agrizoo2) - generated turnover of 2,258 million euros, selling a total of 626,644 tons.

Tot. Pet food (channels: Grocery + Petshops + Chains):

Pet food trends in Italy





2021 Assalco - Zoomark Report: Source IRI (52 weeks to 27 December)

The positive trend of the market in terms of value, regarding the sum of the main channels (Grocery, Traditional Petshops and Petshop Chains) continued, with an increase in turnover of 4.2% compared to last year: pet food was confirmed as a growing market.

The market also continued to grow in terms of volume, up +2% considering the sum of the three channels.

Cat food represents 53.2% of the total market value (Grocery + Traditional Petshops + Chains), with a turnover of 1,200 million euros (+ 5.9% vs 2019), while dog food (46.8% of the market) brought in more than 1,057 million euros.

Pet food: size and trends of the market segments

Grocery + Petshop + Catene	Anno Terminante Dic20 Vendite Volume	*Variazione % Volume*	Vendite Valore	*Variazione % Valore*
Petfood	**626.644.078**	**2,0**	**2.257.537.496**	**4,2**
Tot Gatto	**282.539.459**	**3,8**	**1.200.432.548**	**5,9**
Umido Gatto	164.729.293	3,2	744.739.844	6,3
Secco Gatto	115.439.821	4,4	401.974.617	3,9
Snack & Treats Gatto	2.370.345	17,0	53.718.087	15,3
Tot Cane	**344.104.615**	**0,6**	**1.057.104.941**	**2,3**
Umido Cane	135.239.379	0,7	345.749.181	1,8
Secco Cane	191.688.436	0,2	542.122.908	1,7
Snack & Treats Cane	17.176.800	4,7	169.232.852	5,2

2021 Assalco - Zoomark Report: Source IRI (52 weeks to 27 December)

In this table and the one below the data is presented differently: one has the percentage by value while the other does not

Along with the total value of the market we must include an estimate of the results of the large-scale retail Petshops (a leading panel of 86 points of sale - Amici di Casa Coop, Petstore Conad, Animali Che Passione, Joe Zampetti, Pet Elite and Ayoka): 34.3 million euros.

Large-scale retail Petshops: size and trends of the market segments

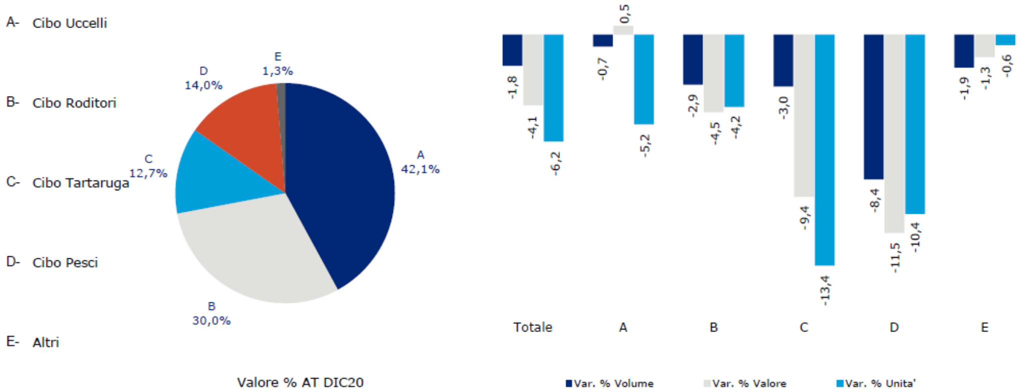
Petshop GDO	Anno Terminante Dicembre2020			
	Vendite in Valore	Quota Valore	Vendite in Volume	Quota Volume
T Petfood	34.305.031	100,0	6.036.496	100,0
Tot Gatto	**15.356.285**	**44,8**	**2.117.155**	**35,1**
Umido Gatto	9.152.751	26,7	1.276.657	21,1
Secco Gatto	5.680.346	16,6	822.408	13,6
Snack Gatto	523.186	1,5	18.087	0,3
Tot Cane	**18.948.744**	**55,2**	**3.919.344**	**64,9**
Umido Cane	4.303.782	12,5	805.055	13,3
Secco Cane	12.592.613	36,7	2.981.093	49,4
Snack Cane	2.052.350	6,0	133.195	2,2

2021 Assalco - Zoomark Report: Source IRI (52 weeks to 27 December)

FOOD FOR SMALL PETS

In large-scale retail, the market for food for other pets had a turnover of just over 12 million euro, confirming the decline observed in recent years. The main segments were birds (42.1%) and rodents (30%), followed by food for fish and turtles.

Food for other animals: market shares and trends in the various segments

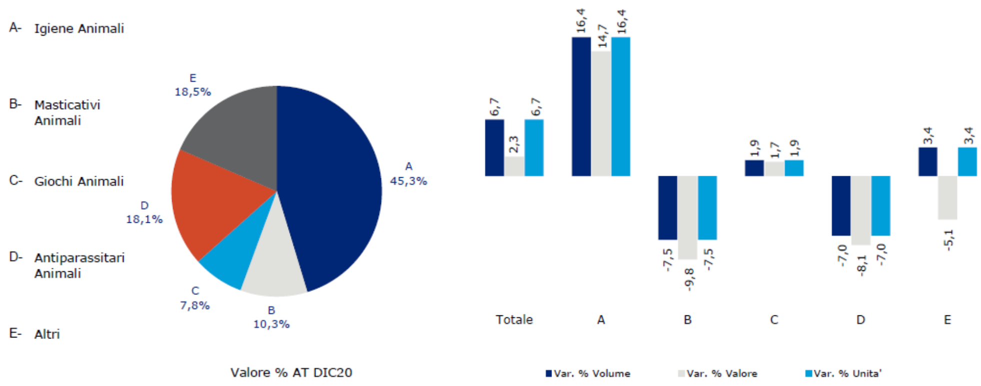


2021 Assalco - Zoomark Report: Source IRI (52 weeks to 27 December)

ACCESSORIES AND CAT LITTER

The market for accessories for everyday care (hygiene products, toys, leashes, kennels, bowls, cages, aviaries, aquariums, turtle tanks and various utensils), which is worth 72.8 million euros, saw a slight increase in the large-scale retail sector with value up 2.3% and volume +6.7%. The pet hygiene segment (house training pads, wipes, shampoos, brushes, deodorants, anything related to grooming and hygiene), was the leading segment and registered growth of 14.7%.

Pet Accessories: Market shares and trends in the various segments



2021 Assalco - Zoomark Report: Source IRI (52 weeks to 27 December)

In 2020, cat litter products, for which data is collected separately, was worth around 76 million euros in large scale distribution, with an increase of +3.1% in value compared to the previous year.

Cat Litter: size and trends of the market segments

INDICATORI DI MERCATO	13M P1320	VAR. %
Value (Euro)	76,016,950	3.1
Volume(U. M.)	114,762,800	0.8

2021 Assalco - Zoomark Report: Source IRI (52 weeks to 27 December)

SOCIAL ISSUES

2021 ASSALCO - ZOOMARK REPORT

Pet food and veterinary care are essential goods and services, not a luxury

Increase in the population

16 million of DOGS AND CATS IN ITALY

PERCENTAGE OF families WITH A dog **24.9%**

21% WITH A cat

+15% adoptions REGISTERED BY ENPA IN 2020

Families pay their pets more attention

+1 MILLION households BUYING FOOD FOR DOGS AND CATS ACCORDING TO GFK

40.6% OF veterinarians SAID THAT business HAD INCREASED DURING THE PANDEMIC

Pets are good for us

Wamiz survey for Assalco

AN ANTIDOTE TO loneliness **84.4%**

relieve stress AND TENSION **70.4%**

67.2% children LEARN TO respect ANIMALS AND NATURE

60.9% HELP make teens MORE responsible

IMPROVE seniors' quality OF life **64.4%**

VAT currently at 22% for pet food and vet care

pet food AND vet care ARE essential goods and services BUT THEY ARE EQUATED TO luxury items

22% → 10%

7% VAT IN GERMANY

THE tax burden ON Italian families MUST BE reduced

ASSALCO Associazione Nazionale Imprese per l'Alimentazione e la Cura degli Animali da Compagnia

ZOOMARK 2021 INTERNATIONAL

an event by Bologna Fiere

To download the 2021 Assalco - Zoomark Report: www.assalco.it

THE PET POPULATION IN ITALY AND EUROPE

In 2020, due to the Covid-19 pandemic, several sources reported an increase in the number of pets in Italy. Euromonitor estimates that there are 62.17 million pets in Italy[19], thus exceeding the 1 to 1 ratio between pets and the resident population[20] that applied until the previous year.

The most common pets in Italy are fish: there are more than 29.9 million fish kept as pets in Italy, about half of the total number of pets in the country. **Dogs and cats total over 16 million**, and both are on the rise. The trend for more people to live in urban areas has contributed in particular to the increase in small and medium-sized dogs, while it has had a negative impact on other types of pets (ornamental birds, fish and small mammals), whose numbers are down. Euromonitor has calculated 12.9 million birds, while small mammals and reptiles are estimated at 1.8 and 1.4 million, respectively.

More than 62 million pets in Italy in 2020

	Estimates - 2020 (million)
Dogs	8.277
Cats	7.926
Fish	29.905
Ornamental birds	12.878
Small mammals	1.821
Reptiles	1.363
Total Pet Population	62.170

2021 Assalco - Zoomark Report: Source Euromonitor

The overall increase in the number of animals is confirmed by Gfk data, which reports that almost one million more households[21] are now buying pet products. In 2020 the number of dogs and cats adopted rose by 15% compared to 2019[22], a figure registered by ENPA (National Animal Protection Authority) during the acute phase of the health emergency. This went down in 2021.

One million more households are now buying pet products

The Hon. Michela Vittoria Brambilla, President of the Inter-parliamentary group for Animal Rights, called 2021 a "rebound"[23] year, in which many pets acquired during the pandemic were subsequently let go of for a variety of reasons, including the families' financial situations, people returning to work outside the home or, sadly, the death of the owner. In 2021, adoptions have been growing at a slower pace.

The presence of different, often conflicting sources for data on the pet population in Italy once again confirms the need for a National Pet Registry, which is vital when it comes to having reliable, up-to-date figures.

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[19] Passport - Euromonitor International, May 2020 (estimates recalculated compared to the past)
[20] Resident population of Italy as of 1 January 2021: 59,257,566 (Source: Istat)
[21] Increase in the number of households purchasing pet products in March - April 2021 compared to the same period of the previous year (Source: Gfk)
[22] Adoptions in Italy in 2020: 8,100 dogs and 9,500 cats (Source: ENPA)
[23] Speech during the webinar "From the countryside to the home: the social evolution of our relationship with animals", organized by AISA (Association of Industries for Animal Health), September 2021

Almost 40% of European families have a pet

Broadening our view to take in **Europe**, FEDIAF, the European Pet Food Federation, **has estimated that almost 40% of European families benefit from the company and affection of one or more pets**[24], which translates to 88 million families, over 100 million people.

There are more than 300 million pets in Europe, with a ratio of 1 pet per 2.5 inhabitants, while if we take the European Union alone, the number of pets exceeds 228 million, with a ratio of 1 pet to 2 inhabitants.[25] In both cases, the ratio of 1 pet per household found in Italy is a long way off, confirming the key role of pets in our country.

The most prevalent pet in European homes is the cat - cats number around 110 million - followed by 90 million dogs, ornamental birds (52 million), small pets (30 million), fish, with 15 million aquariums, and 9 million reptiles. This ranking also applies to the European Union, with a smaller gap between cats and dogs.

	Estimates - 2020 (million)	
	Europe	European Union
Dogs	89.821	70.518
Cats	110.148	80.806
Aquariums	15.397	10.392
Ornamental birds	52.005	37.253
Small mammals	29.953	22.024
Reptiles	9.054	7.536
Total Pet Population	306.378	228.529

2021 Assalco - Zoomark Report - Source: Fediaf

[24] FEDIAF - Facts & Figures 2020

[25] Resident population of Europe as of January 1, 2021: approximately 746 million. Resident population of the European Union as of January 1, 2021: 446,824,564 (Source: EU Commission)

THE PROFILE OF PET OWNERS

Given the great importance of pets for their owners, Assalco wanted to create a profile of pet owners, commissioning a survey by Wamiz, one of the most important pet care websites in Europe.

The age of pet owners varies considerably, but reaches a peak of **27.1%** in the **45-54 age group**. Respondents were equally distributed in geographical terms, with **30.5%** living in the **North-West**. Almost half **(48.8%)** live in small towns with less than 40,000 inhabitants. There was also a fairly even distribution between those living in **apartments (54.9%)** and those in detached houses or houses with gardens (45.1%) Most owners have a **family unit consisting of 2 people** (35%), and more than 64% stated that they do not live with children.

The typical pet owner is a woman aged between 45 and 54 who lives in an apartment a small town in the North-West

Even those who do not own a pet show a pet-friendly attitude. When it comes to non-owners, the Assalco survey showed that not owning a pet was not necessarily due to lack of interest in pets, but to a careful assessment of whether it was possible to respond to all of a pet's needs: indeed 40% of non-owners indicated that they **did not have enough time or space for a pet**[26]. Others reported that the **high cost of maintaining a pet** was a factor in their decision.

20% of respondents had recently lost a pet and did do not feel ready to take on another one. **21.7%** stated that they intended **to adopt a pet in the coming months**.

[26]Specific data: 23.5% do not have enough space, 14.5% do not have enough time

FOCUS: pet owners during Covid-19

Not wanting to ignore the impact of Covid-19 on individuals and families, the Wamiz survey commissioned by Assalco focussed on owners who had decided to adopt a pet in the period in question, regardless of whether they already owned one or not. **32.8% of respondents**, about 1 in 3, of those who own one or more pets had **purchased or adopted at least one in the last year and a half**, namely after the onset of the health emergency.

The profiles of existing and new owners did not reveal any substantial differences; indeed the data pretty much coincides.

The new pet owners are mainly **women** (81.3%), aged between **45 and 54** (27.1%) and living in the **North** (57.5%), with 31% in North West. More than half of them live in towns with less than 40,000 inhabitants, in an **apartment** (53.9%), **in a family of 2 people** (35.2%). 32.6% of owners live in families with 4 or more members. In 57.7% of cases, those who have adopted a pet since the beginning of the Covid emergency **do not live with children**, a figure significantly higher than those who stated that they live with one child or adolescent, which was the second percentage in this category, at 19.4 %.

The most popular pet for this part of the population is the **dog**: 67.7% have at least one, while 60.3% live with at least one **cat**. There are also other pets, with respondents stating that they owned fish (8.1%), rabbits (5.8%) and rodents (3.9%), with birds and reptiles both at 3.6%.

LEGAL AND INSTITUTIONAL RECOGNITION FOR PETS

With pets playing an increasingly important role in families, it is now urgent to complete the process of institutional and legal recognition that was initiated in recent years.

Towards a National Pet Registry

To date, those who deal with pets in various capacities **can only estimate the number of pets living in Italian households.** At the moment there is no way to have complete, up-to-date figures on a national basis, as the current system of the Regional Pet Registries only offers a partial snapshot. Indeed registration is only obligatory for dogs and, although cats and ferrets also have their own registries, registration is optional for them. For these two species, microchipping and registration are only mandatory if a pet passport is required.

The first step is therefore to gain a **correct picture of the pet population**, overcoming the misalignment between regional registries which makes it impossible to have accurate data and to streamline, on a national level, services such as reuniting lost pets with their owners.

It should also be noted that almost 1 in 4 Italians does not comply with the obligation to register dogs, which has been in force for 30 years now.[27] The figure emerges from the survey done by Wamiz, commissioned by Assalco, which shows that **only 77.4% of those who own a dog have registered it in the canine registry**. 16.9% of the interviewees declared that they were unaware of the existence of a registry office and consequently of the legal requirement for registration, while 5.7% said they had not registered their dog(s) despite knowing it was required.

Only 7 out of 10 dogs are correctly registered

But the situation is evolving. The Ministry of Health plans **to extend to all regions the new National Registry System for Pets (SINAAF)** created with the support of the Istituto Zooprofilattico of Teramo. The SINAAF will overcome the limitations of regional databases by creating a single centralized, integrated platform. In the **Guideline Act for 2021**[28], the Ministry of Health itself encouraged **regions to transfer to the new system**, membership of which is voluntary.

Accelerating the transition to SINAAF would not only provide up-to-date information on the population of dogs, cats and ferrets in Italian households, but would also enable the immediate exchange of information and access to web services to retrieve data on animals (ownership, interventions, etc.) which could be used to trace them. At present **9 Regions and Autonomous Provinces are using the new system.**

The national registry will permit a correct census of the pet population

The creation of a national pet registry is also part of the Ministry of Health's plan to come into line with the new **Animal Health Law**[29] (AHL) passed by the European Union. Although the legislative decrees have not yet been published, it is assumed that the national registry can be implemented as a subsection of the National Database (BDN) at the National Service Centre in Teramo. The identification and registration system will thus be extended to all "companion animals" as they are defined in the European Regulation, which covers not only dogs, cats and ferrets but also the so-called non-traditional pets such as ornamental fish and birds, amphibians, reptiles, rodents and rabbits (those not kept for farming purposes).

Work is in progress to implement the European Union's AHL

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[27] Law no. 281 of 1991 - Framework law on pets and prevention of stray animals. Since 1 January 2005, the only national identification system for pets is the microchip.
[28] Guidelines for identifying political priorities for the year 2021, published on 6 April 2021.
[29] (EU) Reg 2016/429.

Protection for animals included in the Constitution, the first measures approved

Italian legislation protects the life and welfare of animals in various ways, including severe penalties for those who commit crimes or cases of animal cruelty. While in some respects our country was a pioneer (with law no.281 of 1991, for example, Italy was the first country in the world to recognize the right to life and the protection of stray animals), **protection of animals has yet to be written into the Constitution**.

An important step forward was taken last June, when, with 224 votes in favour, the Senate **approved the constitutional bill no. 83 to amend article 9 of the Constitution**. As well as protecting biodiversity and ecosystems it introduces the rule of law governing animal welfare.[30]

The Senate has given the green light to amend art. 9 of the Constitution

Defined as "a historic development" by environmental and animal welfare associations, this first vote paved the way for the House to examine the provision, approving it without changes on 12 October.
In view of the constitutional nature of the bill, a total of four readings are required - the proposal will therefore have to be re-examined in the Senate.

91% of Italians are in favour of including animal welfare in the Constitution, as confirmed by the opinion poll conducted by Ipsos in April on behalf of the Italian League for the Defence of Animals and the Environment, chaired by the Hon. Michela Vittoria Brambilla. The survey also highlighted that Italians are in favour of conforming to the situation in other countries, including Germany, Austria and Switzerland, which have already included animal protection in their respective Constitutional Charters.

Including pets in the Certificate of Family Status and the ISTAT Census

Achieving full institutional and legal recognition could ultimately reopen the debate on **including pets on family status certificates**. The proposed law, which received a preliminary reading by the Justice Commission in 2019, would mean pets on the pet registry would be added to family status certificates.

This would enable the rights and duties of owners to be managed with greater clarity, and, accompanied by pet data being included in the **annual census carried out by ISTAT**, would be further confirmation of pets' role as an integral part of the family. In this regard, 70.2% of the Italians who responded to the survey carried out by Wamiz agreed or strongly agreed with the idea of including pets in the ISTAT census. Only 5.3% expressly stated that they were against it.

[30] The Republic "safeguards the environment, biodiversity and ecosystems, also in the interest of future generations. The law of the State governs the methods and forms of animal protection".

THE BENEFITS OF OWNING A PET

The growth of the pet population in Italy and the rest of Europe testifies to the importance that pets now have in families and society. And while pets are now **viewed to all intents and purposes as members of the family**[31], there is also a strong increase in the awareness of the beneficial effects of living with a pet.

The benefits of living with a companion animal

During the pandemic, for many people pets were the only, or one of the few, sources of **actual physical company,** as most human interaction went online.

Analyzing the **human-pet relationship**, in the aforementioned survey commissioned from Wamiz, interviewees mentioned that among the benefits of pet owning was the fact that pets relieve **stress and daily tensions** (70.4% of respondents), **bring joy** (61.1%) and **help unite the family** (41.1%). Many spontaneously observed that pets reciprocate their love and affection and deserve full recognition as members of the family.

Having an animal in the family relieves stress and everyday tensions and makes people happier

Pets are held to play an important role in **helping children learn social skills**, among other things. 67.2% of respondents believe that having a pet in the family enables children to learn about **respecting nature and living beings**, 49.8% think that pets **teach respect for others**, while 54.6 % emphasizes how educational it is for the child to be involved in caring for a pet. Other respondents asserted that having a pet enables children to **cultivate relationships** even when they cannot be with peers (36.9%) and 30.2% of respondents stated that it encouraged them to **be active** and play outdoors.

Children and teenagers can learn from having a pet in the family

When it comes to older children, 60.9% of respondents say having a pet in the family **helps make teens more responsible.** According to 59% of respondents, pets allow teens to **express their emotions** without fear of being judged. More than 1 in 3 respondents believe that pets encourage **children to spend time outdoors** (37.5%), while about 1 in 4 see animals as particularly useful support for those who cannot attend school and have to do **distance learning** (27.6%).

Pets have been greatly appreciated by those getting used to new styles of working, above all **working from home**. 78.5% of respondents stated that having a pet eases difficult times at work, 47.1% agreed that owners benefit from the presence of their animals **during breaks** and 46.7% that the presence of a pet **made up for not having the company of colleagues**.

Pets are great company for those working from home

For those who had become accustomed to working at home in the company of their pet, **the idea of going back to the office tended to be a source of concern.** This emerges from some independent studies, such as the Future of Work[32] study conducted by LinkedIn, the largest online professional network in the world: according to 47% of the Italian professionals who participated in this survey, it would be preferable to adopt a hybrid model combining office work and working from home, while nearly 23% would prefer to work full-time from home. Among those who do not want to return to the office, 37% stated that they wanted to maintain a better work-life balance, and be able to **devote more attention and energy to their family, including their pets.**

[31] Among the most recent studies, that by Federchimica Aisa (National Association of Animal Health Companies), carried out in collaboration with Swg reveals that 91% of Italians consider pets an integral part of the family
[32] Future of Work 2021, LinkedIN, October 2021

Pets play an important role in our society

There is a **vast scientific literature**[33] on the fact that animals in general and pets in particular represent a source of well-being, care and learning for humans, regardless of the species or breed.

Companion animals can have **multiple positive effects for children and adolescents**, especially in exceptional situations such as a pandemic, or for people suffering from illnesses.

Pets bring the family together

In a recent interview[34], **Dr. Adima Lamborghini**, paediatrician, teacher and science communicator talked about how having a pet has a strong impact on family life, because "the presence or otherwise of a pet, and the type of bond that the family establishes with it, or how it is viewed, are aspects that have **particular importance in the balance of family life**".[35]

Very young children develop a surprising capacity **to wait and to contain** their most spontaneous urges as a result of interacting with animals. Pets also enable children to learn about caring, **increasing self-awareness and building self-esteem.** "Pets teach young people about relationships, and caring for pets helps them to **look beyond themselves** and be curious about another being, aspects that are all very useful when it comes to human relations", says **Giovanna Carlini**[36], psychotherapist, educationalist, behaviourist veterinarian.

Where there are the conditions for responsible ownership, professionals advise that families think about purchasing or adopting a pet. **Claudia Costato**[37], pediatrician and Pet Therapy specialist, highlights how "getting a dog often encourages **children to spend time outside and tear themselves away from their screens at last**". Dogs in particular "trigger a **virtuous circle**: due to their boundless affection devoid of any judgment, they encourage young people who are introverts or have behavioural issues **to open up to the world**, think of others and start having more self-confidence ".

In pet therapy it is important to choose the right species

While there are benefits simply to owning a pet, experts observe that those to be gained from Animal Assisted Interventions (AAI), better known as **Pet Therapy**, are even more significant. Dogs are the animals most often used, but specific skills are needed to choose the correct animal for the therapy to be effective.

According to Dr. Costato, "the presence of an animal is never neutral and always has effects on children, even on those who are afraid of them. For this reason it is essential to **choose a species suitable for the characteristics of the individual child**. I have seen cases of severe autism, in which any form of relationship is limited, where the presence of a highly sociable animal like a dog was not the correct solution. In these cases, though it might sound strange, a tortoise or turtle is much more effective".

Pet Therapy expert, clinical psychologist, lecturer, scientific researcher and science communicator

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[33] For a selection of recent international studies, see Human - Animal Bond - A research compilation on #PetPower, by Pet Alliance Europe
[34] The full version of the interviews cited in this paragraph and the following can be consulted in the September 2021 issue of Pet Trend magazine
[35] Specialized in Paediatrics, Neonatology and Neonatal Pathology, paediatrician at the ASL of Teramo, member of the technical committee at the Ministry of Health for combating Obesity and Overweight, member of the Scientific Secretariat for FIMP (the Italian Federation of Paediatricians) in which she coordinates the Nutrition and Diet Area. Member of the Advisory Committee for Paediatrics established by AIFA (Italian Medicines Agency).
[36] Lecturer in the Masters in Behavioural Medicine and Dog Education at the Faculty of Veterinary Medicine of the University of Pisa, he holds a licence from ENCI (Italian National Dog Association) as a trainer of Pet Therapy dogs, dog trainer and is a CSEN Pet therapy instructor and dog trainer (Centro National Educational Sports).
[37] After working as a paediatrician in a neonatal intensive care unit for years she moved into family paediatrics, later becoming a Pet Therapy operator.

Francesca Mugnai[38] also believes that the relationship with the animal must be supervised in a specific and professional way. "Pet therapy is an important **rehabilitation tool for various conditions** such as autism, pervasive developmental disorders, psychiatric and behavioural disorders," she explains. "It also has **a positive impact on chronic diseases**, in terms of the psychological aspect. There are many positive effects generated by the presence of an animal in a programme of Pet Therapy, concerning socialization (for depression, autism, generic developmental disorders), cognitive elements (psychiatric and neurological disorders), emotional problems (problems with adaptation, learning disorders) and neuromotor conditions."

Pets make for a healthier lifestyle over 65

Pets are a preventive tool for the elderly

The elderly also benefit greatly from the presence of pets, as studied over the years by **Senior Italia Federanziani**, the federation of associations for the elderly. Commenting on the positive effect of pets on the over 65s, Chairman **Roberto Messina** recently stated[39] that "**pets represent a precious ally in old age**", as "they introduce important lifestyle changes, making people more active and ensuring they have a less sedentary lifestyle. And we all know that a sedentary lifestyle is now the number one enemy of **active aging**, a more dangerous risk factor even than smoking".

"Even just one hour a day of dog-walking has a positive impact in terms of lowering blood pressure, lowering cholesterol, improving the circulation, reducing bone loss and lowering blood sugar levels," explained Messina, also mentioning the fact that owning a dog can help **combat loneliness and increase socialization with others**, for example when taking the dog to the park.

According to the Chairman, "Pet Therapy is not just for people with specific health issues. We could say that more generally**, the company of an animal is good for the soul, in the broadest sense of the term**, and the affection and warmth that an animal can give an elderly person living alone might even help prevent depression".

In addition to the benefits for individuals and their families, the presence of a pet also has **positive effects for society at large**. "Healthier old people translates to **significant savings for the health system.** Reducing cardiovascular and metabolic diseases by encouraging a healthier lifestyle means a reduction in complications, with savings for the health service, and therefore more resources to invest", Messina commented. "If we calculate the incidence of cardiovascular diseases in our country (one in four people are affected, about 15 million), and if we estimate that a daily walk with a pet could result in a 7% lower incidence of those diseases, we are looking at potentially saving 1.3 billion euros on health."

1.3 billion in savings for the health system

As well as savings for the health service, local councils would also save on the costs of animals in shelters: "Consider that a dog in a shelter costs an average of 1,277.50 euros a year; if we multiply this figure by the number of dogs present in the shelters in each region, we get a total of 161,044,205 euros. Multiplied by seven years (the average length of stay in a shelter if not adopted) we arrive at a figure of 1,127,309,435 euros", Messina concluded.

1.1 billion euros in savings for local councils

The Assalco - Wamiz survey also acknowledged the benefits of pet ownership for the **over 65s.** Most respondents (64.6%) indeed agreed that the daily routine of taking care of a pet helps older people to **remain present and alert**. 59.8% say pets **keep seniors active**, 58% point out that pets in the family **make them feel less alone**, especially when children and grandchildren are far away, and 45.7% say **pets make older people feel useful.**

The company and affection of pets for those who live alone applies not only to old people. According to 84.4% of respondents to the Assalco survey, living with a pet is an excellent **antidote to loneliness**,

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[38] International expert in AAI (Animal Assisted Interventions), family mediator and socio-pedagogical educator, President of the Antropozoa Onlus association, of which she directs the Research Centre, head of Assisted Interventions at the Meyer University Hospital of Florence and only Italian member of the ISAAT Association (International Society for Animal Assisted Therapy).

[39] The full version of the interview can be consulted in the November 2021 issue of Pet Trend magazine

regardless of age. During the pandemic, this factor was even more important, with benefits also on a physical and social level: 59.6% replied that pet owners kept active by taking their animals for a walk or playing with them, while 39% noted that, thanks to pets, owners met more people locally, at the park or when going to the vet.

Seniors who own pets are more active, feel useful and less alone

FINANCIAL SUPPORT FOR PET OWNERS

Given that pets are viewed as genuine members of the family, it is natural that owners do their best to respond to their needs in terms of nutrition, health and well-being, as they would for any other family member. The economic and social consequences of the Covid-19 pandemic have highlighted the cost of keeping a pet, which, for some owners, can be so high that they require support from local authorities, associations and the industry itself.

ANMVI has estimated the essential items of expenditure

Considering the "financial aspects of responsible ownership", the increasing awareness of the health and welfare benefits of pet ownership and the increase in scientific knowledge on pets' quality of life, ANMVI, the Italian National Association of Veterinarians, has drawn up a list of indispensable, or rather "essential" items of expenditure to keep a family dog or cat in optimal health and well-being and guarantee a good quality of life.

Essential items of expenditure

The expenses concerning nutrition, prevention and veterinary appointments

The estimates are monthly and annual and naturally destined to increase if key factors such as prevention and constant care are absent. Conversely, they could decline if pet care were not taxed as a luxury.

Indeed according to ANMVI, there are some variables that can negatively affect the financial aspect:
- taxation. The highest rate of Value Added Tax (VAT) ever applied. Since 1 October 2013 a rate of 22% has applied to pet food and veterinary treatments; tax deductions on veterinary treatments have not been aligned since the euro was introduced (2002) and equate to around 4 euros per month;
- behaviour. The average expenditure is calculated by taking into account basic veterinary services, prevention and constant care.

By following the advice of the veterinarian when it comes to diet, prevention and a healthy lifestyle, pet health can be safeguarded, monitoring the onset of potential serious diseases and thus avoiding costly consequences.

€ per month*	€ per year*

Cat food Maintenance diet	22€	265€
Cat veterinary expenses Yearly check-up - Vaccines - Veterinary drugs	€ 4.16	€50

Dog food maintenance diet (depending on the size of the animal)		
Animal under 20 kg (small - medium)	€30 (average between € 23 for a small dog and € 37 for a medium size dog)	€ 360
Animal over 20 kg (large)	€ 48	€ 575
Dog veterinary expenses ** (independently of the size of the animal)		Total: Around € 210
2 appointments a year	€ 17.5	€ 60
Vaccinations		€ 60 (lower cost if combined with appointments)
Parasite treatments		€ 60
Veterinary drugs		€30

*Costs inclusive of VAT at 22%
** The cost for microchipping and registration in the canine registry (required by law) was intentionally excluded

2021 Assalco - Zoomark Report - Source: ANMVI

ANMVI believes that in the last ten years, although there is a higher consideration for pets in terms of affection and social and legal aspects, **there are not suitable policies to support and reward Italian pet owners** (incentives, concessions).

And while pets are increasingly being welcomed into homes and public places (thanks to a pet friendly culture), there needs to be more awareness of disease prevention, with people learning what to do to give their pets the best quality of life and prolong their life span.

For this reason, according to the first Association of Veterinarians in Italy, it is **essential to modify tax policies on expenses related to pet ownership** (by subsidizing VAT), as the current policies are:
- anti-ethical, in terms of the value that the pets have in Italian families;
- anti-economic, in view of socio-economic trends (they tend to discourage ownership), public health needs (control of animal diseases) and curbing the phenomenon of abandonment and strays.

Pets are important for families: the taxation on pet-related expenses needs to be changed

Compromising the main items of expenditure without reducing the tax burden and without monitoring the conduct recommended here can have uncontrolled effects on pet welfare and the family budget.

Veterinary expenses are tax-deductible

Veterinary expenses incurred each year can be deducted on the 730 or Unico tax declaration. Owners of cats, dogs, ferrets and other small animals will be able to deduct veterinary costs for their care.
The deduction consists of a reduction in IRPEF tax, i.e. a reduction in the taxes to be paid. These expenses should be indicated on the 730 or Unico form. To be entitled to the deduction, expenses of between € 129.11 and € 387.40 must be incurred. The 19% deduction is calculated on veterinary expenses that exceed the deductible.

The increase in people giving up pets for financial reasons

During **2020**, ENPA declared that it had arranged **adoptions for 17,600 dogs and cats in Italy**. In some cities, the increase in demand meant that the number of animals that found a new home went up by 20%, in some cases even 40%. A case in point was the ENPA shelter in Monza, which in December had no dogs at all available to adopt. Even in the South, where strays are prevalent, adoptions increased considerably.

Along with the increase in adoptions, however, ENPA also recorded **an increase in the number of people giving up pets.** As a result of the pandemic, there was an increase in the number of owners unable to keep their pets after losing their job or taking a pay cut, or unable to take care of their parents' pet after their death. ENPA estimates show a peak of 20% of pets being given up for financial reasons in September and October 2020.

20% of owners were unable to keep their pets and had to give them up

This is something that needs to be addressed, also in view of the fact that maintaining animals in shelters represents a cost for society as a whole.

The work of the pet industry, which increased its efforts during the pandemic

Analysing the social activities of the companies associated with Assalco, it can be seen that the pet food industry made a significant contribution during the health emergency, with measures to support animal shelters and those most affected by Covid-19.

In addition to cash payments, in 2020 companies donated **more than 3 million meals** to shelters, as well as pet care products and accessories such as bowls, beds and mats. Other forms of support, such as "suspended meals", helped alleviate the difficulties faced by shelters during the pandemic.

Pet companies donated 3 million meals

Aid was provided not just to pets alone. Some companies worked with local organizations or national bodies such as the Red Cross and the Food Bank to **donate meals and basic necessities to families**, and others made donations, both financial and in kind, to **hospitals and charities.**

There was no lack of support for **companies affected by the pandemic**, with training and retraining projects aimed at suppliers, related organizations, distributors and retailers.

The shopping vouchers provided by local councils

Among the measures to support families in difficulty due to the economic crisis following the pandemic, many local councils in Italy **provided shopping vouchers**, establishing different criteria for requesting and using them.

Not all councils permitted people to

buy pet food with these vouchers

Italy was therefore divided between councils that enabled people to buy pet products with the vouchers and others that, though these products were classified as essential goods[40], excluded them. **LAV**, the Anti-Vivisection League, **promptly asked the authorities** to intervene to rectify this disparity among councils and allow anyone entitled to shopping vouchers to use them to purchase pet food and products.

This request was also taken up by the Hon. Michela Vittoria Brambilla who raised it in a parliamentary question[41] to the then President of the Council of Ministers, Giuseppe Conte, asking if the Government "does not consider it appropriate to clarify that pet food cannot be excluded from the list of products that can be purchased with shopping vouchers".

According to the Hon. Brambilla, this limit was a "flagrant breach of the indication of the Decrees of the President of the Council of Ministers of 11 March 2020 and 22 March 2020, which authorized the sale and production of pet food, clearly considering them essential.

40 Namely goods whose production and sale was among the activities allowed during the first lockdowns.

41 Written question 4/05190: http://aic.camera.it/aic/scheda.html?core=aic&numero=4/05190&ramo=C&leg=18

PET FOOD IS AN ESSENTIAL, NOT A LUXURY ITEM

Pet food is obviously indispensable for those who live with a pet and must provide for its sustenance. Even in the acute phase of the Covid-19 pandemic, when many manufacturers and economic activities were forced to close, pet shops and specialized retailers never closed[42], as **right from the start pet food was indicated as a "non-deferrable activity"**, and the products in question will probably be **included in the Contingency Plan**[43] that the European Commission will approve by the end of 2021.

Specialized shops are necessary to integrate the products sold by large-scale retailers, given that they supply foods with particular nutritional purposes, for pets with health problems (heart disease, liver disease, urinary tract problems, etc.), as well as specific hygiene products and parasite treatments for animals and the domestic environment, which are not available in large retailers. The specialized shops also offer a wide selection of products necessary for the well-being of animals other than dogs and cats.

Pet food is taxed like luxury goods

Having acknowledged their essential nature, it therefore appears completely inconsistent that the **VAT rate applied to these products, as well as veterinary services, is 22%, the same as for luxury goods**. It is worth remembering that Italians pay a VAT rate 3 times higher than that paid by German families: in Germany, in consideration of their daily use and the role of pets in society, the VAT rate on food for dogs and cats is in fact set at 7%.

The campaign to reduce VAT to 10%

While the initiatives of local authorities and the efforts of companies in the industry at least partially mitigated the financial difficulties of the pet owners most affected by the pandemic, there needs to be a **structural intervention** to reduce the tax burden on Italian families living with one or more pets.

VAT at a reduced rate of 10% must be introduced as a permanent measure

In July 2020 Assalco, together with the sector's leading associations[44], sent an open letter to the Government and Parliament, requesting that at the first opportunity, **veterinary services and food for dogs and cats be permanently placed in the reduced VAT bracket of 10%**, the same as for veterinary medicines.

Other bodies, LAV in first place, have also asked the government to review the VAT rate, to assist pet owners and thus combat abandonment and strays.

In a session devoted to the budget, the Giuseppe Conte government accepted **the Agenda presented by the Hon. Michela Vittoria Brambilla**, undertaking to evaluate the idea of reducing VAT on the products and services in question. When that government fell, this undertaking lapsed.

The Hon. Brambilla commented: "We remain firmly convinced of the objectives we have set: **to reduce the indirect tax burden** on pet owners and foster recovery by **strengthening one of the most dynamic and resilient sectors of the economy**, that of the care and nutrition of the millions of pets that live in Italian households. These are proposals that merit serious consideration, not only as a way to stimulate recovery, but above all as a concrete application of the "one health" principle that the World Health Organization has been promoting for some time. We have learned the hard way that public health is one health, human and animal. It is time to act on this, also from a fiscal point of view".

The long-awaited revision of the tax system could also be

[42] With rare exceptions, such as specialty stores inside shopping malls on weekends
[43] As part of the Farm to Fork strategy, the European Commission must outline a harmonized emergency plan that guarantees food supply and security in the event of future crises.
[44] The other signatories are ANMVI, FNOVI, SIMeVeP, ENPAV, Federchimica AISA, Ascofarve, Assalzoo, Federconsumatori, ENPA, AIVPA, Senior Italia Federanziani and AISAD

applied to pet food

VAT rates recently gained parliamentary attention once more, with the draft law on the review of the tax system approved by the Council of Ministers on 5th October 2021. The Chambers will have to discuss and approve the reforms, then, if there are no extensions, the Government has 18 months to issue the decrees in question. Our hope is that, as part of this review, VAT on pet food products and veterinary services will finally be reduced to 10% permanently, remedying the anomalous taxation of these goods and services.

Pet owners and experts in favour of reducing VAT

Pet owners are practically unanimously in favour of reducing VAT on pet food and veterinary services from 22% to 10%. **92.8% of the people interviewed by Wamiz for Assalco were in favour of the measure**.

Pet owners and non-owners alike are calling for a reduction in VAT

It is interesting to note that the same view was expressed by non-owners: as many as 81.8% agree that the VAT rate should be cut. Recognizing that animals are not luxury items has therefore become a social issue, and is a view shared by the majority of the population.

The paediatricians and professionals interviewed about the benefits of pet owning also agree that the VAT rate must be reviewed as soon as possible. "The fact that veterinary services and pet food have the same VAT rate as luxury goods is incongruous to say the least," said Dr. Claudia Costato. "Having a pet brings clear benefits in terms of physical and psychological wellbeing, and therefore has an effect on human health. For this reason pets should not be equated with items that fulfil non-essential aspects of life. **Something that is good for the heart, mind and body cannot be taxed as a luxury item**".

A subsidized VAT rate is a sign of a progressive society

Dr. Adima Lamborghini is of the same opinion, calling the subsidized VAT rate "a key sign of a progressive society", while Giovanna Carlini reiterates that "the cost of keeping a pet is far too high, especially given that pets are now present at all levels of society. The tax burden on veterinary services is a real problem that must be addressed and solved".

Federanziani was among the associations that signed the open letter to the government, calling for pet food and veterinary services to be placed in the subsidized 10% VAT bracket. "Many seniors have pensions that are anything but generous, and pets are not a luxury item", said President Roberto Messina.

And given the beneficial effects of pet ownership for the over 65s, Messina believes that "it is important to encourage older people to own pets in any way possible", adding that the current tax burden on owners "is not in line with pensions and the cost of living".

If conditions were more favourable, many people might decide to adopt a dog or a cat, thus also reducing the costs for local councils, which would in turn free up resources that could be allocated to social services, thus "triggering virtuous circles for all".

PET HEALTH

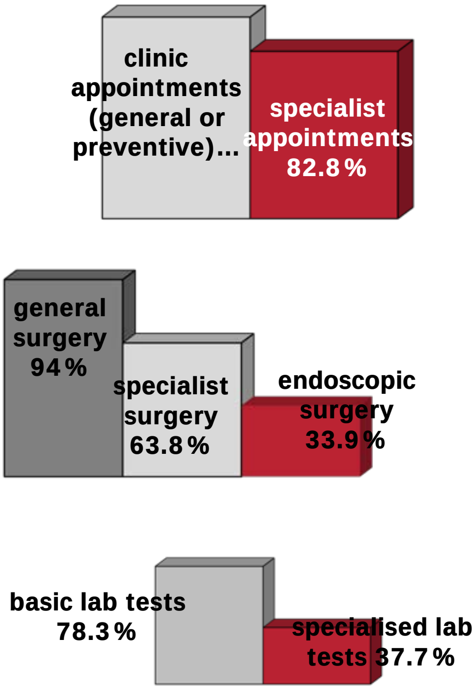
VETERINARY MEDICINE IN ITALY AFTER COVID-19: INNOVATION AND TRADITION[45]

An expanding sector that has invested in technological innovation and developed specialized services: in Italy pet healthcare is a growing sector in terms of both numbers and progress. Four out of ten veterinarians report that business has increased in the last two years, proof of the **professionalism and dynamism of a sector that is nonetheless rooted in traditional characteristics.** This growth precedes the 2020 pandemic.

More facilities and more specialist treatments

From the 7,100 facilities counted in the last ANMVI survey by Research & Consulting (2018), the number of veterinary clinics in Italy has risen to 9,400 in 2021(source: Seat/Italiaonline). The level of specialist care offered has also risen (83% of Italian clinics provide specialist consultations, 63.8% advanced surgery). The growth of specialist care reflects the scientific and technological advancements in veterinary medicine and is indicative of an increased demand for veterinary care that goes beyond basic treatments.

An increase in specialist care

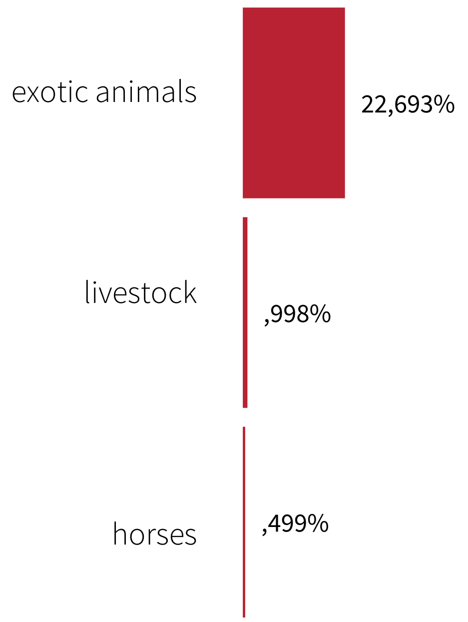


2021 Assalco - Zoomark Report - Source: ANMVI

The growth of the sector is also related to the increase in the number of patients, almost all dogs and cats, while the number of "exotic" pets (rabbits and rodents in first place) has gone down slightly: at present 22.7% of veterinarians treat these animals, compared to 27.5% in 2018. This is the first decline after a decade of steady growth.

[45] *Text by ANMVI - Italian National Association of Veterinarians Inquiry Veterinary Medicine in Italy after Covid-19*

Animals besides dogs and cats treated

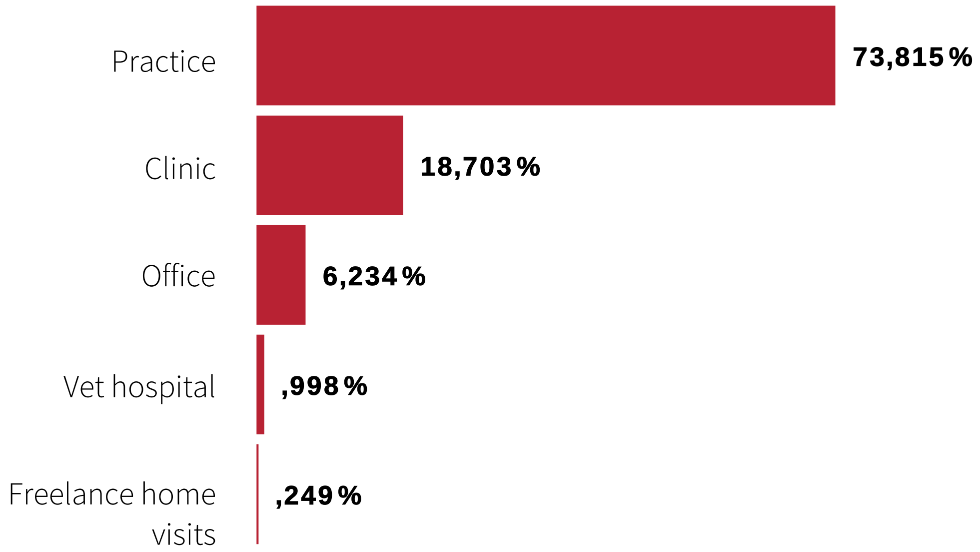


2021 Assalco - Zoomark Report - Source: ANMVI

Pet veterinarians are clearly specifically concerned with providing care and specialized treatments for pets, above all cats and dogs.

Practices continue to be the main type of facility

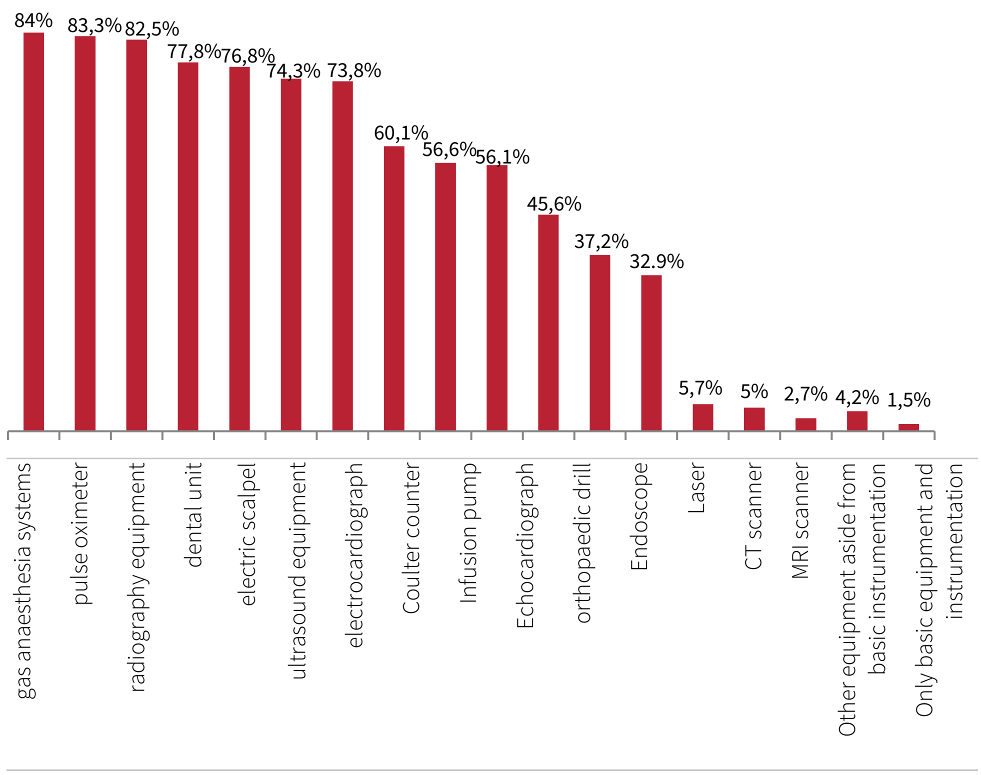
When it comes to willingness to invest, the sector appears less static than it did in the last ANMVI survey by Research & Consulting (2018), but **its organizational and legal profile remains a deeply traditional one.**
Italian veterinary facilities are mostly simple practices. When not run by a single owner, the professional associations are more prevalent than companies. The new forms of business based on partnerships between professionals (such as the STP formula - company of professionals) are struggling to take off.
There are therefore no significant changes compared to the previous survey in 2018, even if over the last 15 years there has been a slight but constant decline in the number of practices and a slight rise in the number of clinics.



2021 Assalco - Zoomark Report - Source: ANMVI

Well-equipped facilities

In general, facilities have been renewing their instrumentation and equipment, especially when it comes to diagnostics (ultrasound, radiography, electrocardiograph) and surgery (gas anaesthesia systems are increasingly being adopted, above all in clinics).



2021 Assalco - Zoomark Report - Source: ANMVI

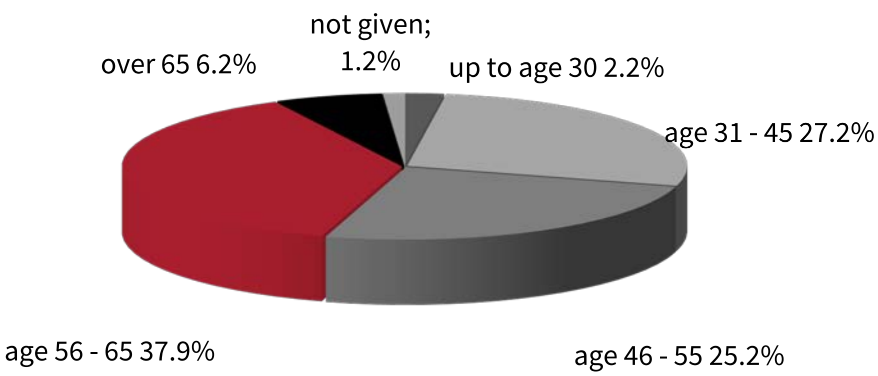
In general, investments are being made, something which began before the pandemic, and which is reflected in the data on the type of services provided, but does not have a significant return: practices have an average turnover of 103 thousand euros a year, and clinics of 245 thousand euros a year, figures in line with the pre-pandemic situation.

Profile of practitioners

	2005	2012	2014	2016	2018	2021
Average age	401	398	398	398	399	401
	43.86	48.46	48.83	50.04	49.74	52.23
Sex						
Men	72.1%	61.5%	59.5%	61%	60.3%	52.1%
Women	27.9%	38.5%	40.5%	39%	39.8%	47.9%
	100%	100%	100%	100%	100%	100%

2021 Assalco - Zoomark Report - Source: ANMVI

The average age of practitioners, and the number of women, is rising.



2021 Assalco - Zoomark Report - Source: ANMVI

The impact of the pandemic

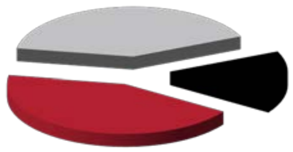
The aspect most affected by the pandemic was organizing working activities, especially in larger towns and cities. But the second aspect most affected was the relationship with customers.

Changed since the beginning of the pandemic	Greatly / somewhat	A little / Not at all	Not indicated
Organization of outpatient services	69.3%	30.7%	-
Organizing home visits	41.6%	49.4%	9%
Managing internal logistics	50.4%	49.6%	-
Professional relationships with colleagues and staff	19.2%	80.5%	0.2%
Relationships with pet owners	55.9%	43.9%	0.2%

2021 Assalco - Zoomark Report - Source: ANMVI

Professional activity

The work of veterinarians did not decrease due to the pandemic, indeed for four out of ten of them it has grown, especially for facilities with more than one partner (47.9%).



2021 Assalco - Zoomark Report - Source: ANMVI

Related and complementary services

Veterinarians now offer a wide, diversified range of services and instrumentation, but related and complementary services have seen less development. The trend for dispensing drugs within veterinary facilities continues to grow, and **there is now a significant increase in the creation of "pet corner" services.** One of the reasons that put veterinarians off from dispensing drugs is the application of the maximum VAT rate of 22%.

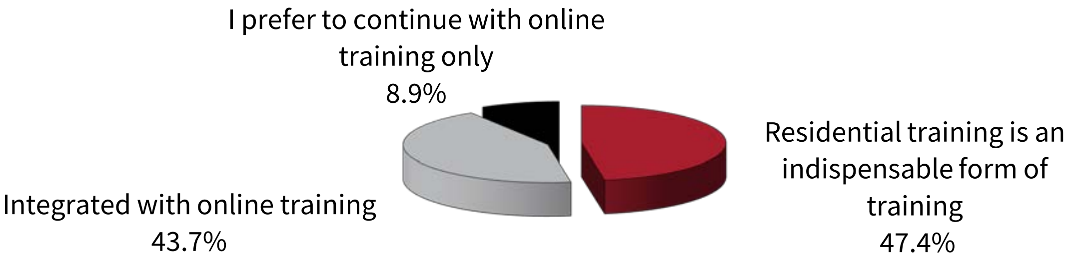
	Practice	Clinic / Veterinary hospital
Dispensing drugs	57.1%	86.1%
Pet Corner	15.5%	39.2%
Behavioural counselling	41%	46.8%
Complementary Medicine	23.6%	32.9%
Nutritional advice	1.2%	1.3%

2021 Assalco - Zoomark Report - Source: ANMVI

Nutritional advice remains a marginal service. In the absence of specific pathologies, **veterinarians advise owners directly on which pet food to purchase, a solution which is preferred to home-made food; this preference rises to 97% if the animal has health conditions.** When it comes to providing nutritional advice, industrial pet food offers a verified guarantee of quality and safety, as the products, whether wet or dry, are scientifically proven to be effective, and undergo safety checks from the raw material to the production process.

New technologies: digital

Achieving efficiency in remote working is not a factor that particularly influences the choices of veterinarians today, compared to traditional factors. They have and use digital technologies: only one in ten veterinarians does not use the internet for professional purposes. 81.8% of facilities are on the internet, with a website and/or a Facebook page, above all larger facilities, while Google Maps remains an important resource for smaller ones. **In 2021 13.7% of respondents stated that they offer telemedicine/e-consultation services.** This aspect was not included in previous surveys.



2021 Assalco - Zoomark Report - Source: ANMVI

The post-pandemic scenario

Italian Veterinarians have always called for the reduced rate of VAT (10%) to be applied to veterinary care and pet food (today both are subject to 22% VAT). Now that the European Union and the Italian government under Mario Draghi have started to review VAT rates, there is renewed hope for a better proportioned, fairer system of taxation. The arguments put forward in the open letter of 2020 signed by numerous bodies - in first place ANMVI and ASSALCO - calling for a reduction in the VAT rate applied to the animal health and welfare sector, still apply. In 2021 these arguments are corroborated by the simultaneous European tax rate reform, which the Italian tax reform will be linked to.

ORGANIZERS

Open letter
To the Government
To Parliament

Signatories

PET HEALTH CARE, FOOD AND WELFARE: ONE SECTOR, ONE TAX RATE

VAT: WE ARE CALLING FOR A SINGLE VAT RATE OF 10% TO BE APPLIED TO

- VETERINARY SERVICES (currently at 22%)
- VETERINARY DRUGS (already at 10%)
- PET FOOD (currently at 22%)

The increase in poverty and the risk of pets being abandoned

In the year 2020, 76,192 animals were taken to clinic shelters and 42,665 to regular shelters. 42,360 of them were adopted. This Ministry of Health data (of October 2021) for the year 2020, characterized by COVID-19 restrictions, reported "a strong increase in the number of adoptions". The number of adoptions is estimated to have risen by an impressive 15% compared to the previous year. "But the financial difficulties generated by the health crisis have led to a consequent increase in the number of people letting pets go, as they are unable to maintain them and care for them", stated the Ministry of Health.

ANMVI can only confirm what was stated by the health authority: *It is necessary to maintain a high level of attention, raise awareness in the general population and, in particular, both among those who already own an animal and those who intend to adopt one, emphasize that adoption must be a conscious and responsible choice.*

A fairer, better proportioned taxation system would support Italian families wishing to adopt and look after their "forever" pet.

ANMVI'S COMMITMENT TO ENSURING PETS ARE CARED FOR

During 2021, two important events have had - or risked having - a significant impact on the medicines available to pets: the possibility to prescribe human medicines for pets, and the potential ban (forestalled) on the use of antimicrobials for veterinary use.

Human pharmaceuticals for pets

As of May 21, 2021, Italian veterinarians have the right to choose whether to prescribe drugs "traditionally for animals" or drugs for human use to their patients, as long as the requirements set by the law are met. The decree of 14 April signed by the Minister of Health Roberto Speranza became law this year, with its publication in the Official Gazette. It thus fulfilled the requisites of article 10bis, added to legislative decree 193 of 6 April 2006, which was part of the budget passed last December.

The path taken by the law up to its publication in the Official Gazette

On 19 December 2020, the V Budget Commission of the Chamber approved an amendment to the budget that introduced an additional article (Article 10-bis) to Legislative Decree 6 April 2006, n. 193 concerning the implementation of the **Community Code of Veterinary Drugs.** When the Budget Law 178 came into force on January 1, 2021, paragraph 478 also came into force, namely article 10bis of Legislative Decree 193 of April 6, 2006, relating to the exceptional use of medicinal products for humans for non-livestock animals. The article required the Minister of Health to issue a decree within 90 days to regulate the use of human drugs for pets.

The decree was written with the aim of reducing outlay for pet owners

On April 15, the Health Minister Roberto Speranza issued a press release confirming that he had signed the decree to implement the law which explicitly indicates and defines all the cases in which veterinarians will be allowed to prescribe drugs for human use, instead of veterinary drugs, to pets, as well as defining the ways in which a medicinal product for human use can be withdrawn from use on animals, in order to prevent shortages.
On 21 May the decree was published in the Official Gazette, thus becoming law.

ANMVI's point of view
ANMVI takes a critical view of the decree of April 14, 2021. It describes the decree issued by Minister Roberto Speranza as "*a measure that only apparently improves treatments for pets*", as reported in press release after the publication of the decree in the Official Gazette.

The note goes on to state that *"the decree forces veterinarians into a prescriptive slalom between boundaries, limitations and prohibitions that effectively nullify the principle of 'best cost-effectiveness for the buyer'*". "*In fact, between veterinary drugs and human medicines with the same active ingredient, the latter can only be prescribed in the presence of other pre-conditions such as, for example, the circumstance that the use of the veterinary medicinal product is risky or contraindicated for the animal being treated*".

ANMVI's explanation

ANMVI also points out that, "*though heralded as a money-saving measure, this law in fact contains strong restrictions on access to medicines for human use, not only because AIFA will be able to preclude it from veterinary prescriptions (an entirely new measure) but also because some classes of antibiotics for human use have already been precluded from veterinary use, before a decision has been issued by the European Commission*". In addition, "*with regard to the antibiotics that are not prohibited, a sensitivity test is* *required, something that can take up to seven days and which risks delaying the treatment of serious infections in pets*".

ANMVI advises the Ministry of Health to "*identify forms of savings within the veterinary sector, for example by developing the market for generic veterinary medicines as required by the European regulation on veterinary medicines which will come into force on 28 January 2022*".
"Genuine financial support, which has always been denied by the Government, can only come from general measures such as the reduction of VAT on veterinary care and pet food, the increase in tax deductions, and tax credits for pet owners. This would be a real show of courage and belief in the One Health concept from Minister Speranza".

The perspective of FNOVI (National Federation of the Italian Order of Veterinarians)
The National Federation of the Italian Order of Veterinarians reports that it was not consulted, contrary to what is indicated in the introduction to the decree, and states in a note that the decree itself does not clarify and does not "*define the cases in which the veterinarian can prescribe a medicinal product for human use for the care of an animal not intended for food production, provided that it has the same active ingredient as the veterinary medicinal product intended for the treatment of the disease*".

FNOVI also criticizes the fact that in Annex A to the decree, which should clarify the cases in which the veterinarian can prescribe a drug for human use, there are no particularly useful examples.

FNOVI's explanation

"*This decree*", concludes the note, *"could have been an excellent opportunity to support the veterinary profession and protect animal patients, introducing an innovative ethical concept and reducing the cost of medicines, and therefore making it possible to provide more treatments to pets belonging to less affluent owners".*

"We regret to note that this misguided path places all the responsibility on veterinarians, who are forced to accept the risks and burdens created by a confusing text, which is clearly not in line with the European directives, also in view of the New European Regulation on veterinary drugs that will come into force on January 28, 2022".

The (forestalled) ban on antimicrobials for veterinary use

Due to the phenomenon of drug resistant bacteria, throughout the European Union from 28 January 2022 some classes of antimicrobials (which include basic antibiotics) will be reserved for human use only and will therefore no longer be authorized for use in veterinary medicine. During the summer there was a significant battle to establish the legislative criteria on the basis of which the antimicrobial substances to be banned would be identified.

The key issue at stake here is acknowledging that animal care is essential. The opposing positions saw on one hand the criteria proposed by the European Commission, which did not exclude the use of essential antimicrobials to treat animals with potentially lethal infections, admitting that such treatments could not be reserved for human use alone. On the other hand, there were the criteria of the so-called Hausling motion, which for the European veterinary community equated to depriving animals of all species of essential and life-saving antibiotic therapies. This motion was passed by the ENVI (Health and Environment) Commission of the European Parliament in July.

In Italy, the ANMVI collected more than 80 thousand signatures, appealing to Italian MEPs to "save antibiotics". ENPA and LAV city delegations signed the petition. Throughout Europe, similar petitions organized by veterinary unions (in Germany, Belgium and Poland) added 700,000 signatures from owners and citizens.

A great response to the ANMVI petition

On 15 September the European Parliament, with 450 votes out of a total of 686, rejected the Hausling motion, thus determining that the regulation of antibiotics to be reserved for human care will follow the criteria of the European Commission, meaning that antimicrobials can still be used when essential in the treatment of animals.

THE RENEWED COMMITMENT TO THE SAFETY OF PET FOOD

Despite the pandemic, the pet food industry has maintained its commitment to ensuring that food for pets is ever healthier, safer and more nutritionally balanced.

The safety standards for pet food are similar to those for human nutrition

With the approval of veterinarians, pre-packaged industrial food continues to be the most popular with pet owners and offers a guarantee of **quality and safety** that can be likened to products for human nutrition. At a European level, the sector is subject to over **50 regulations and laws**, which govern the raw materials and ingredients that can be used, including any additives and preservatives, as well as the practices to be adopted in factories and throughout the supply chain to ensure maximum hygiene and prevent contaminations.

Alongside the legal provisions, FEDIAF (the European Pet Food Industry Federation) formulates and updates **voluntary standards** for producers, such as the Guide to Good Practice for the Manufacture of Safe Pet Foods, the Nutritional Guidelines for Dogs, Cats and companion Rabbits and the Code of Good Labelling Practices, translated and circulated in Italy by Assalco.

The proper functioning of the pet food industry is evidenced by the largely satisfactory outcome of the checks that are carried out to ensure the safety and healthiness of the products. Manufacturers carry out **thousands of daily checks** throughout the production process, in addition to regular inspections by the authorities with the specialized veterinarians of the National Health Service.

In 2019, compliance was practically 100%

According to the **Annual Report** of the Ministry of Health on the **official inspections in the pet food industry**, in 2019 (the last year reported) more than **330 samples** of pet food were collected and analyzed and the rate of **compliance** was practically **100%**.

These controls are part of the **National Animal Nutrition Plan (PNAA)** drawn up by the Italian Ministry of Health, which in accordance with the provisions of (EC) Regulation no. 178/2002 and (EU) Regulation no. 625/2017, is designed to guarantee an official system of checks on animal food throughout the entire production process, and a high level of protection of human, animal and environmental health. The plan for the three-year period 2021 - 2023 is currently in force.

GOOD PRACTICES FOR PET FOOD MANUFACTURERS

The pet food industry views safety as a priority and, in addition to scrupulously respecting legal requirements, it has adopted very high standards that cover the entire production process of pet food.

These standards, detailed in FEDIAF'S Guide to Good Practice for the Manufacture of Safe Pet Foods, include, for example:

- **careful assessment of suppliers** to choose quality raw materials and ingredients that comply with current regulations, regularly checked and approved
- **regular inspection and control of raw materials**, where necessary by requesting the relative certifications from suppliers, with the aim of monitoring the possible presence of unwanted substances. Additives used in pet food are subject to approval by the European Food and Safety Authority (EFSA)
- **a clear description of products** including the nutritional profile, colour and appearance, indications on digestibility and taste and the main technical parameters, such as level of humidity. All specifications must be checked periodically.
- visual **inspection** of the **grinding process**
- precise **measurement** of the **quantities of raw materials** used, checking that each formulation is respected
- **monitoring** of **cooking times** and **temperatures**
- conducting **analyses and sample tests** on the **finished product**
- **the tracking of ingredients** and finished products, including their destinations, with a view to the transparent management of the supply chain
- establishing and implementing a programme of **microbiological controls**, both on the finished product and on the production site
- regular checks to **ensure packaging and packing materials are intact**, if necessary with the aid of specific technologies
- the use of metal detectors and X-ray machines to **ensure there are no foreign bodies** in the finished product
- **assessment** of the **nutritional profile** of food products, by analysing the ingredients and/or the finished product, based on food studies and the Nutritional Guidelines developed by FEDIAF
- potential to carry out **external audits** and adopt voluntary **certification** systems such as ISO 9001: 2015 and ISO 14000 through the relevant bodies

Source: Fediaf - Fact sheet "Pet Food Safety"