

Voluntary Report – Voluntary - Public Distribution

Date: February 05, 2024

Report Number: TU2024-0003

Report Name: Pet Food Sales in Türkiye Are Expected to Double by 2027

Country: Türkiye

Post: Ankara

Report Category: Agricultural Situation, Biotechnology and Other New Production Technologies, Biotechnology and Other New Production Technologies Addendum, Biotechnology - Plants and Animals, Cloning

Prepared By: Sinem Duyum

Approved By: Michael Francom

Report Highlights:

Pet food demand in Türkiye continues to rocket higher as pet ownership, especially for dogs and cats expands. Sales of dog and cat food soared to \$127 million in 2022 and are set to more than double to \$300 million by the end of 2027. About two-thirds of pet food consumption is produced in Türkiye and the remainder is imported mostly from Europe. As pet ownership increases, domestic pet food production is set to grow in the future. This growth is expected to spur increased demand for pet food ingredients, such as animal by-products and rendered oils. There may even be new opportunities for U.S. rendered products as ingredients.

Rising Number of Pets in Türkiye, Pushes Pet Food Demand Higher

Like many other developed countries, during the pandemic, the number of Turkish households with pets increased as individuals sought the companionship of dogs, cats, and other pets. By the end of 2022, as the number of pets continued to increase amid the pandemic, annual sales of dog and cat food soared to \$127 million according to the Turkish Statistical Institute (TurkSTAT). Pet food sales since that time have continued to expand despite economic headwinds and are expected to exceed \$300 million at the end of 2027. In the longer term, as household incomes increase and the population grows, the number of pets as well as pet food sales are both projected to grow.

According to the Turkish Veterinary Association (TVHB), there are approximately 6 million domesticated dogs (4.5 million) and cats (1.5 million). TVHB estimates that there are an even larger number of stray dogs and cats, totaling near 10 million. About 5 percent of Turkish households currently own a dog and 14 percent own a cat. By comparison, nearly one-quarter of EU households own a dog or cat, suggesting significant opportunity for growth in both pet ownership and pet food sales in Türkiye in the future.

As of January 2022, pet owners were required to apply to the provincial/district agricultural directorates to register their dogs and cats in the national database with barcoded microchips. About one-quarter of these pets have been registered in the system to date. This registration requirement is part of Türkiye's ongoing process to harmonize its rules with EU regulations as required under Türkiye's Customs Union agreement with the European Union.

Pet Owners Gradually Using More Commercial Pet Food Instead of Table Scraps

Owing to a lack of awareness about pet dietary needs and household income levels, most dogs and cats in Türkiye are still fed table scraps. In recent years, however, this trend has been changing, with a growing number of pet owners using commercial pet food. According to market sources, approximately 35 percent of the cats and 20 percent of the dogs in Türkiye are currently being fed with commercial pet food. These percentages are expected to keep growing in the coming years as the economy improves and more pet owners come to better appreciate the importance of a well-balanced diet for their pets.

Commercial pet food in Türkiye is typically sold as dry (bagged) or wet (canned or pouch). In addition, the "raw pet food diet" trend is beginning to catch on among some of the more affluent pet owners. Raw pet food is made by processing various foods, such as meat, vegetables, and fruits, and is sold fresh or frozen. Sales of raw pet food remains relatively small due to its high cost and a lack of consumer awareness.

Pet Food Production Volumes Double in Just Two Years

In just two years, and despite economic turbulence in Türkiye, domestic pet food production doubled from less than 90,000 metric tons in 2019 to nearly 200,000 metric tons by 2021. In 2022, production climbed even higher to 225,000 metric tons. This jump in production in the last few years is largely

attributed to the growing trend of pet ownership - which pre-dated the surge in Turkish households buying pets during the pandemic.

Recognizing the growth opportunity in the Turkish pet food market, many domestic and foreign firms have invested in local facilities to manufacture and distribute pet food in recent years. Many of these operations rely on imported ingredients to make their pet food since local inputs are in short supply. Local pet food manufacturers use a variety of ingredients derived from chicken, fish, sheep, and cows, including meat waste (e.g., bones, tendons, skin), bone and blood meals, and offal. These different ingredients may be used interchangeably based on availability, price, and the technical specifications of the finished product. A large share of these ingredients is imported because local supplies are insufficient.

The most widely used animal protein is chicken since it is generally cheaper than other animal proteins. Mechanically deboned meat (MDM), especially chicken MDM made from domestic sources, is used in manufacturing wet pet food products. Ruminant-based MDM is unavailable since it is primarily used for human consumption. The Turkish Ministry of Agriculture and Forestry (MinAF) prohibits MDM imports.

Plant protein is also widely used in pet food production in Türkiye. Grain by-products are commonly used ingredients, such as rice flour, corn flour, wheat flour, rice bran, and wheat bran. Manufacturers have also started using vegetables in making pet food products, especially raw pet food. In addition, different vitamins and minerals are added to most pet food products based on the age and health status of the animal.

Household Demand for Pet Food Softens Because of High Prices

While Türkiye's production of pet food continues along its upward trajectory, demand for both imported and domestically produced pet food appears to have slackened somewhat in the last year because of the high price of quality pet food and difficult economic conditions inside the country. As an example, since 2021, the price of a 15-kilogram bag of imported premium pet food (approximately \$69) and locally made pet food (approximately \$30) has shot up 90 percent and 60 percent, respectively. This surge in prices has made it difficult for many households to meet the nutritional needs of their pets.

There are several reasons underlying the skyrocketing price of pet food being sold on the local market. Among these reasons are domestic inflationary pressures, a shortage of domestic raw materials to make pet food, high input prices (e.g., electricity, transport, labor, etc.), overly strict regulations governing pet food production, and taxes.

Because of the shortfall in the availability of raw materials used in manufacturing pet food, Türkiye imports its pet food ingredients from abroad. With the depreciation of the Turkish Lira against the U.S.

dollar, these ingredients (and finished pet food) have become relatively more expensive for Turkish companies.

The 18 percent Value Added Tax (VAT) on dog and cat food, which is treated as a luxury item, is another major factor behind the high cost of dog and cat food. Animal associations and pet food importers have petitioned the government to lower the VAT on dog and cat food to 8 percent without success. By contrast, with a few exceptions, the VAT on most animal feed and other pet food (e.g., bird and fish) is zero or 1 percent.

Türkiye's Restrictive Biotech Regulations Limits Expansion in Pet Food Production

Pet food is one of the most highly regulated products, which is due in part to Türkiye's harmonization with EU regulations and standards. The product is meticulously examined by MinAF from production or importation to the point of sale. Importers complain that the sampling and testing fees are too expensive, and inspection procedures are not applied uniformly from port to port.

According to market sources, the single biggest regulatory hurdle that is limiting the industry's growth potential is the restriction on the use of plant materials derived from biotechnology. This restriction applies to both finished pet food and ingredients, both imported and domestic.

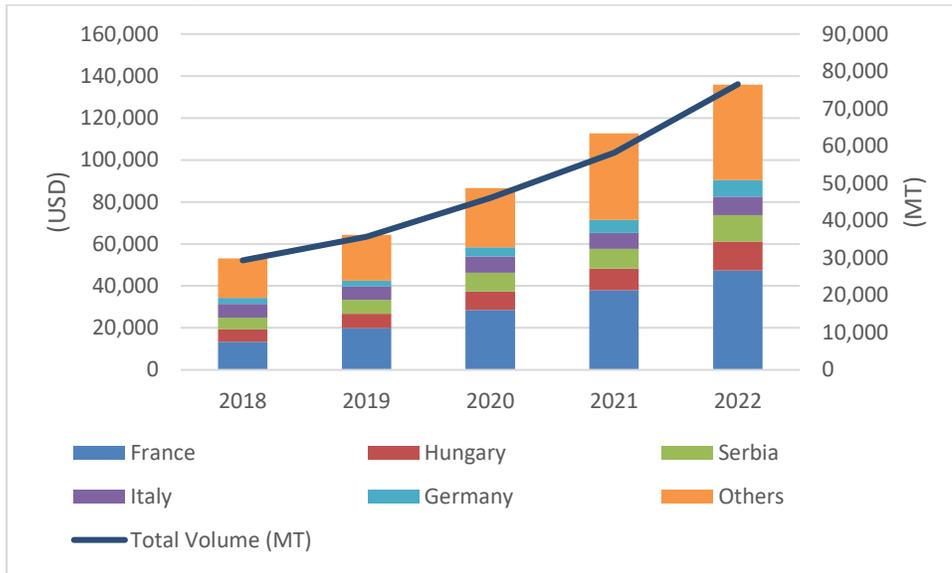
Türkiye Importing and Exporting More Pet Food

For most of the last decade, as demand for dog and cat food has increased, domestic production has increased. However, demand has outstripped production, leading to rising import volumes of pet food. In fact, imports of dog and cat food have doubled by both value and volume in the last five years (2018-22). See chart below. In 2022 alone, pet food imports grew year-over-year by more than 30 percent to 77,000 metric tons (\$136 million). The top three suppliers were France, Hungary, and Serbia.

Royal Canin and Nestle-Purina are the major brands exporting from France and Serbia, respectively. These premium brands target middle to upper income households who appreciate and are willing to pay more for high-quality pet food. In contrast, pet food from Hungary is typically considered medium-quality and is priced for middle to lower income households and animal shelters.

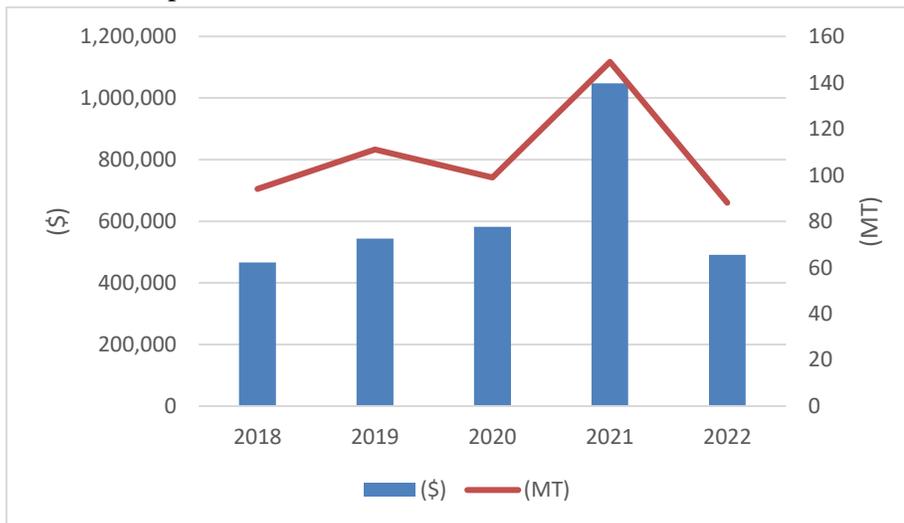
In addition to EU suppliers, the United States also ships pet food to Türkiye, albeit relatively small volumes. In 2022, U.S. pet food exports to Türkiye totaled 88 metric tons, valued at about \$490,000. One of the main obstacles confronting U.S. pet food sales to Türkiye are the country's rigid biotech requirements on plant derived ingredients. In addition, export sales have also faced challenges because of the strong U.S. dollar versus the Turkish Lira.

Chart 1. Turkish Pet Food Import Value by Countries, USD



Source: Trade Data Monitor, LLC

Chart 2. Turkish Pet Food Imports from the United States



Source: Trade Data Monitor, LLC

While pet food imports have increased, export volumes have likewise grown as Turkish manufacturers look to diversify their business portfolio and potentially access higher profit margins abroad. The uncertainty of the Turkish economy has prompted this diversification. Approximately one-quarter of pet food produced in Türkiye is exported. In 2022, exports hit a record of 62,000 metric tons (\$89 million), up 57 percent from the previous year. The top export destinations were Malaysia, Israel, Iraq, and the United States. By comparison and as evidence of the ongoing growth in the sector, Türkiye’s pet food exports were less than 3,000 metric tons in 2016.

Table 1. Pet Food Import-Export Balance, 2016-2022

Year	Export	Import	Export	Import	Trade Balance	Export Value per kg	Import Value per kg	Annual Growth-Export	Annual Growth-Import
	(Metric Tons)	(Metric Tons)	(Thousand USD)	(Thousand USD)	(Thousand USD)	(USD)	(USD)	(%)	(%)
2016	2.874	26.525	6.244	43.819	-37.575	2,17	1,65	43,75	7,09
2017	3.979	29.024	7.099	47.592	-40.493	1,78	1,64	13,69	8,61
2018	6.371	29.352	8	53.153	-45.153	1,26	1,81	12,70	11,69
2019	11.232	35.651	16.608	64.382	-47.774	1,48	1,81	107,61	21,13
2020	23.601	46.093	30.518	86.675	-56.156	1,29	1,88	83,75	34,62
2021	39.271	58.137	53.811	112.65	-58.83	1,37	1,94	76,32	30
2022	61.652	76.542	88.511	136.000	-47.5	1,43	1,77	64,48	20

Source: Trade Data Monitor, LLC, and sector reports

Imported Raw Materials Fuel Türkiye’s Pet Food Production

Approximately 15 percent of the ingredients used to manufacture pet food are imported. The leading imported ingredients are animal by-products¹, poultry fats and meal, fish oil, milk-based products, and blood meal.

Pet Food Brands on the Turkish Market

Currently, there are no global pet food brands being produced in Türkiye. These international brands are instead being imported. There are also a number of domestic pet food brands available on the market. The biggest domestic pet food producer is Lider Pet Food which accounts for about 80-90 percent of total pet food production in the country.

Table 2. Pet Food Brands in Türkiye	
Imported Brands	Domestic Brands
<ul style="list-style-type: none"> - Proplan, - Royal Canin, - N&D, - Hill, - Acana, - Whiskas, - Brit, - Meradog, - Bosch, - Advance 	<ul style="list-style-type: none"> - Lider Pet Food with sub-brands; Spectrum, Reflex, Bonnie, Proline, King, Trendline, Enjoy, Jetix, New Dog, New Cat, Thunder. - Tropical Pet with sub-brands; Champion, Goody. - Effeffe Pet Food with sub-brands; Lavital, Vet One, ProNature, Paw in Love, EcoNature, Dost Pati, Croque, Pet Lover. - Hermos Pet with sub-brands; Clicker, Benefit, Mystic, MyFood, PawPaw.

¹ Animal by-products include animal guts, bladders and stomachs, meat meals, offal, greaves, etc. HS codes: 0504, 0506, 0507, 051191, 051199, 2301, and 4101.

	<ul style="list-style-type: none"> - Cagatay Pet food with sub-brands: Bonacibo, Micho, Mitho, Kennel - Atak Pet food with sub-brand: Prochoice. Best Pet, Royal Pet, Pure Pet.
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Distribution Channels for Pet Food Sales

Pet food is sold through various channels, including grocery (33 percent), pet shops (30 percent), online (30 percent), veterinary clinics, and pet shelters. In recent years, the share of online sales has been increasing while the share of sold at grocery stores has been declining. Pet food brands vary in each marketing channel.

Grocery	Chain Markets (mostly imported brands such as Proplan, Royal Canin, N&D, Reflex, Enjoy, Milo, New Dog, New Cat, Hills, Felicia, PawPaw, Proline, Acana, Whiskas, Goody)
	Discount Markets (price-based products)
Online	E-trade websites (mostly imported brands such as Proplan, Royal Canin, N&D, Reflex, Enjoy, Milo, New Dog, New Cat, Hills, Felicia, PawPaw, Proline, Acana, Whiskas, Goody)
Pet Shops	Pet shops (mostly imported brands, depends on neighborhood)
Vet Clinics & Shelters	Veterinary clinics (mostly imported brands)
	Animal Shelters (price-based products bought by individuals. Animal protection associations and municipalities)

Attachments:

No Attachments.