



IVH

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Statement by Georg Müller,
Chair of the Industry Association of Pet Care Producers (IVH)
at the Press Conference for Interzoo 2022
on 24 May at 9.30
NCC Ost, Level 1, Exhibition Centre Nuremberg

Ladies and gentlemen, representatives of the press,

I am very pleased that after four years we can finally meet in person again at an INTERZOO.

At the moment, it seems as if the COVID-19 pandemic is not defining our day-to-day routines so extensively as in the last two years.

Instead, our lives today are being dominated by other issues, like the war in Ukraine and massive price increases.

Before I address these issues, I would like to look with you at the past year.

Norbert Holthenrich has already provided some explanations on the development of the pet population.

At this point I would like to limit myself to just a few statements about sales performance. You will find details on the market and its performance in your press documents. This information has also already been published beforehand.

To sum up, in 2021 many people were still focusing on spending time with their pet, feeding it a healthy diet, and providing it with pet-friendly products and equipment.

As a result, the total market for **pet food and pet supplies** was able to top the 6-billion-euro mark for the first time.

Of this, stationary specialist and food retail accounted for around 4.8 billion euros, representing an increase in revenue of 6 percent. In these figures, dog and cat food once again constituted the largest segments.

We are also seeing a major development in the online retail sector, which achieved an increase of more than 25 percent with sales of 1,055 billion euros.

Alongside convenience pet food, **pet supplies and accessories** were also in great demand and reported growth of 4.6 percent compared with 2020.

This is due to increasing investments in aquariums, pet toys and other supplies for our animal family members.

Naturally, we hope that this positive trend will continue. Unfortunately, there are some recent developments that are making things difficult for our sector. And I'd like to outline some of them briefly now:

COST INCREASES / WAR IN UKRAINE

When the coronavirus arrived in our country in March 2020 and the first lockdown was imposed, there was great concern in all companies about whether we could maintain production and thus safeguard supplies for our pets.

Fortunately, there were no shutdowns, and our industry was able to come through this crisis relatively unscathed due to the growth in pet populations. Sales levels were maintained, thus safeguarding production and jobs. In part due to the successful endeavours of our associations, our industry also came to be regarded as being of systemic importance.

However, in the course of 2021, the skies did darken over our companies. Slowly at first, but from the autumn at an increasingly faster rate, prices for raw materials, energy and many other products have been rising.

While it is true that almost all sectors are having to deal with widespread cost increases, a lot of especially negative circumstances come together in the production of pet food. For example, prices for oils and fats increased by more than 200 percent, for grain by almost 100 percent, and for proteins by between 40 and 80 percent depending on animal species and quality.

This has been exacerbated by price increases for packaging and freight, and depending on the contracts involved, particularly harsh increases for energy. We have also been confronted with delivery bottlenecks and delays in container transport.

Naturally, we can and must raise our selling prices. But in the face of these all-encompassing inflationary trends, we also need to be careful not to lose our customers.

Pet ownership is only possible if pets are affordable for broad swathes of our society. It would be more than a pity if the many benefits of the relationship between humans and animals were to fall victim to rising costs.

The causes of the price increases are manifold:

- poor harvests worldwide,
- personnel shortages due to COVID-19 in some agricultural segments,
- reduced livestock farming due to avian flu, swine fever and stricter regulatory provisions,
- increasing demand for biofuels worldwide,
- and for some weeks now, the war in Ukraine.

Due to the variety of causes involved, I fear that the price increases will persist in the longer term. Manufacturers and distributors will have to shoulder this new cost level together to be able to offer pet owners relatively acceptable prices.

Raw ingredients – price development



Another challenge that we will have to deal with extensively in the future and that will lead to further cost increases is the issue of **sustainability**.

As in all other areas of our lives, the pet supplies industry is called upon to comply with the provisions of the Green Deal and the Paris Climate Agreement. In this context, the most important questions for us are to do with proteins, animal welfare, packaging and energy.

Finding the right answers will take some time and effort, but there is no alternative.

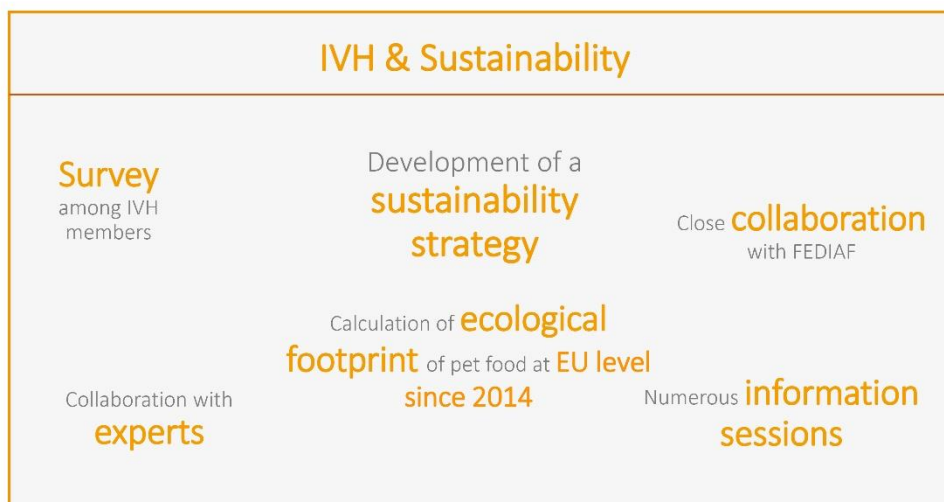
We put this issue on our agenda as far back as 2014, i.e. 8 years ago, together with our European umbrella organisation FEDIAF. We were one of the first sectors to get actively involved with the EU Commission in working out methods to calculate product-specific CO2 footprints. This knowledge is already benefitting our member companies.

Here in Germany too, this issue has mattered to our industry for a considerable time now, as confirmed by a recent survey we conducted among our members: At 92 percent of member companies, the issue of sustainability is already firmly established. The main concern is about all questions relating to packaging, followed by energy.

In our role as the IVH, we will support our members – and thus most of the industry – on their road to sustainability, and work with them to actively develop proposed solutions.

Already, we offer numerous information sessions and are constantly expanding our network of experts. Moreover, we are going to produce a sustainability strategy with a newly established committee. By doing this we are making sure that this topic is being treated as a priority in our industry.

Sustainability in the pet supplies industry



So, there is quite a bit to do to ensure that in the future too we can continue to support one of the greatest hobbies in the world, namely pet ownership, by supplying suitable, sustainable and affordable products.

In this spirit, I wish you a good start to this year's Interzoo.

Contact for queries:

IVH Press Service
Detlev Nolte
c/o nolte PR GmbH
Kirchbachstraße 95
28211 Bremen, Germany
Telephone +49 (0) 421/83050-20
Fax +49 (0) 421/83050-29
detlev.nolte@nolte-pr.de
www.ivh-online.de