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Overconsumption of pet food in Australia

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Introduction

The majority of Australians believe that they cannot afford to buy everything that they really need (Hamilton 2003). Despite the fact that real incomes have risen approximately threefold since the 1950s the perception of financial hardship still dominates both personal perceptions and public debate in Australia (Hamilton 2003). There is no doubt that these feelings are in part a response to the reduction in certainty and security associated with the deregulation of the labour market and the privatisation of health, education and a range of other services. But there is also no doubt that much of the imagined hardship that exists in Australia today is also the result of people's lifestyle aspirations rising more rapidly than their incomes. New needs are being created at a faster rate than income is growing.

This paper discusses the creation of a particular set of new needs, known as 'super premium' pet products, including items such as breath freshening foods for dogs and sleeping bags for ferrets. While most Australian consumers feel unable to meet all of their needs, spending on pet food and pet care products is huge and growing. Indeed, Australians spend more on pet care than they do on foreign aid.²

The size and scope of the Australian pet care industry

Australians are a nation of pet lovers with 64 per cent of Australian households owning one or more pets (Petnet 2004). Australians share their homes with an estimated 3.6 million dogs, 2.3 million cats, 7.5 million birds and 13.2 million fish (Euromonitor 2004a). Table 1 shows the growth in pet numbers in Australia between 1998 and 2003. The number of fish and birds far exceeds the number of dogs and cats due to the fact that people who own fish and birds are likely to have more than one. However, dogs are found in the highest proportion of Australian homes (Petnet 2004).

The following analysis draws heavily on two recent reports by the industry analysts Euromonitor. The first, *Pet Food And Pet Care Products In Australia*, is primarily

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² According to Ausaid (2004) the Federal Government spent \$1.89 billion on foreign aid in 2003, in addition to this individuals provided an estimated \$358 million to overseas aid agencies in 2002 (Tomar 2004). This compares to an estimated \$1.55 billion on pet food and pet care products. In addition to this \$1.55 billion figure account needs to be taken of the amount spent on purchasing pets as well as the amount spent on services for pets ranging from veterinary care and boarding kennels to mobile dog washing services. The ABS (2001) estimates that expenditure on vet care for companion animals was over \$714 million in 2000.

focussed on the Australian pet product market while *The World Market For Pet Food And Pet Care Products*, is concerned with trends in the pet product market across the globe.

Table 1 Australian pet population 1998-2003 (000s)

	1998	1999	2000	2001	2002	2003
Dogs	3,100	3,100	3,150	3,200	3,220	3,600
Cats	2,750	2,650	2,600	2,550	2,400	2,300
Birds	7,000	6,800	6,900	7,000	7,100	7,500
Fish	12,000	12,200	12,400	12,600	12,900	13,200
Small mammals	800	800	800	800	820	850
Reptiles	165	170	175	180	185	200
Total	25,815	25,720	26,025	26,330	26,625	27,650

Source: Euromonitor (2004a), Table 1

Growth in the number of pets accounts for only a small proportion of the growth in expenditure on pet food and pet related products. As a recent analysis of the Australian pet food industry found:

The value increase is mainly due to a rise in premium ranges of pet food for both dogs and cats. The majority of pet carers are female, married with children, living in the suburbs and mostly employed, indicating that pet owners are extremely busy juggling their personal and professional lifestyles, and obliged to feed their pets premium food (Euromonitor 2004 p. 4)

While the Euromonitor report does not expand on why busy female pet owners would feel ‘obliged’ to purchase premium pet food it seems that guilt associated with the lack of time and attention paid to pets is an underlying cause of this ‘obligation’. As in the case with children, overworked carers are increasingly trying to compensate for lack of time and attention by increasing their expenditure on ‘stuff’ (Pocock and Clark 2004).³

Australians spent more than \$1.5 billion on pet food and pet care products in 2003 – see Table 2. This figure does not include the purchase of the pets themselves or the cost of pet services ranging from veterinary care and pet boarding kennels to mobile pet grooming and teeth cleaning services.

Table 2 Retail sales of pet food and pet care products 1998-2003, \$ million

	1998	1999	2000	2001	2002	2003
Dog and cat food	1,065	1,097	1,095	1,116	1,177	1,225
Other pet food	137	134	137	147	151	157
Pet care products	122	129	134	144	157	169
Total expenditure on pet food and pet care products	1,325	1,360	1,366	1,407	1,484	1,551

³ If pets could talk then, like children, they would probably express a preference for more time with their owners than more stuff (Pocock and Clark 2004).

Source: Euromonitor (2004a)

In June 2002 there were an estimated 6,360 veterinarians practicing in Australia (Euromonitor 2004a). According to ABS (2001) the treatment of companion animals accounted for 83 per cent of veterinarian income in Australia. The total amount spent on veterinary services for companion animals in 2000 was \$714 million (ABS 2001, p. 3). This suggests that expenditure on pets is likely to be well in excess of \$2.3 billion in 2003 compared to approximately \$1.5 billion in foreign aid and \$358 million given to overseas aid agencies over a similar period (Ausaid 2004; Tomar 2004).

Premium pet foods

It is well understood that in order to cash in on the trend known as 'luxury fever', manufacturers of consumer goods produce small numbers of very expensive lines in order to push up the standards demanded by ordinary consumers. This is the function of \$10,000 barbecues and \$8,000 refrigerators (Hamilton 2002). The same trend is occurring in the pet food and pet care industry. According to a recent analysis of the global pet food industry:

With the wider availability of super premium products, the consumer trend towards premium brands at the expense of mid-priced and economy products began to accelerate (Euromonitor 2004b, p. 53).

That is, pet food manufacturers are devising increasingly expensive 'super premium' pet foods with the intention of encouraging consumers to cease purchasing low-cost pet food and, at a minimum, begin to purchase mid-priced products. In the Australian cat food industry, which is facing a decline in the number of cats, it seems that low-priced cat food may disappear altogether in order to ensure that reduced volumes of cat food sales can still deliver increases in revenue:

Increasing volume and value sales of premium cat food and cat treats indicate that cat owners value their feline companions more than ever, and are constantly seeking ways of rewarding their cats for the joy and companionship they give. Economy products are likely to be slowly phased out, and mid-priced products will stagnate. It is also very likely that the majority of new products introduced will be in the premium price segment (Euromonitor 2004a, p. 30).

Similarly, in the dog food market it is anticipated that a willingness to pay ever higher prices, rather than growth in the actual volume of pet food sold, will drive increases in sales revenue. As the Euromonitor analysis states, growth in disposable incomes and effective advertising, rather than an increase in the number of dogs, are the key to increasing expenditure on dog food:

Total volume sales are not expected to show as significant growth, reflecting the fact that owners are trading up to feed their dogs higher quality food. *With relatively high levels of disposable income and a high level of product knowledge gained from media promotions and professional influences, urban dog owners are willing and able to spend more on dog food products, leading to a substantial increase in expenditure on premium dog food products* (Euromonitor 2004a, p. 13, emphasis added)

Table 3 provides an indication of the range of luxury pet products now available. It shows that dog treats can cost over \$100 per kilo and that jewellery for pets costing over \$800 can be ordered online. Other products yet to be released in Australia, but available internationally, include fish food that sinks more slowly than usual, energy treats for turtles and anti-flatulence tablets for dogs.

Table 3 Some super premium pet products

Product	Description	Price
Oral care fish treats from Inobys	...safe and effective, easy to use treat that freshen your cat's breath while helping to reduce plaque and tartar	\$8.95 for 100g (\$89.95 per kilo)
Cheddars cheese snacks	Cheese snacks for pets	\$3.45 for 50 g (\$69.00 per kilo)
Bacon Bitz	Kick off the day the Bacon Bitz way, with this delicious new treat from Schmackos!... Served whole or torn into pieces, Bacon Bitz are delicious meaty treats that have been air dried to really seal in the flavour send your dog wacko!	\$3.95 for 100g (\$39.50 per kilo)
K9 Float Coat	As dogs accompany their owners on adventures ever farther a field, running whitewater, sailing, fishing ... Ruff Wear believes four-legged companions deserve the same level of safety and protection afforded by life jackets for humans. The K-9 Float Coat is high-performance flotation for canine water safety.	\$122.00
Bow wow dog treats pig ears	Dried pigs ears	\$2.15 for 20 g (\$107.50 per kilo).
Aristopet pet cologne	Fifi for girls – Sweet fresh fragrance like Tea Rose Perfume Fido for Boys – A little like Brute Aftershave for men	\$7.20 for 125 ml
Puppy Luv designer name tag	9 carrot gold heart with diamond	\$875.00
Hero dog fragrance	A distinctly masculine fragrance for your dog or cat with a long lasting pleasant aroma. Great finishing touch to your grooming or for a spruce up between baths	\$12.95 for 500 ml
Iams Light Dry Food	A premium food designed for overweight adult cats or cats that are less active and require less energy. It has reduced fat and calories for weight loss or maintenance.	\$9.50 for 650 g (\$14.60 per kg)

Source: Various web sites

In addition to increased expenditure on premium and super premium dog foods there has also been a rapid increase in expenditure on pet toys and other products. As Euromonitor puts it:

2003 is also marked by the launch of a plethora of new dog and cat treats, demand for which is underpinned by consumers' desires to establish closer emotional bonds with their pets (Euromonitor 2004, p. 43).

As the following quotation suggests the extent of the 'needs' yet to be satisfied in the pet product industry may be as limitless as the perceived limitlessness of needs for humans:

Convenient grooming wipes also promise to reduce time spent washing, brushing and combing pets, whilst the launch of products such as Rinaldo Franco's sleeping bags for ferrets in Italy offers unprecedented levels of comfort for spoiled pets (Euromonitor 2004b p. 44).

Humanisation of pets

The belief that humans can 'establish closer emotional bonds with their pets' through the purchase of expensive pet foods and toys is associated with what has been described as the 'humanisation' of pets (see Euromonitor 2004a, Euromonitor 2004b). Pets (particularly dogs and cats) are increasingly cared for according to human patterns and human aesthetic standards. Pets are increasingly regarded as family members, and are often considered to be equivalent to, or substitutes for, children in the level of attention and care they gain from pet owners. The development of cosmetics for pets is an example of this trend, with new products such as bath wipes, scented shampoos, and aromatherapy candles coming onto the market in recent years.

Much of the impulse to anthropomorphise pets finds its origins in humans' desires to demonstrate love for them, which in more affluent developed markets, such as North America and Western Europe, increasingly finds its expression in a desire to 'spoil' the pet. In the process of doing this, human desires and values are projected by owners onto their pets, and these desires must then be fulfilled. The owner reaps a double reward: a feeling of wellbeing from having done something for the animal, and the gratification that comes from any visible demonstration on the pet's part. (Euromonitor 2004b, p. 48)

Expenditure on premium pet foods and pet toys is therefore an attempt to meet the needs of humans to demonstrate their love and affection by creating and then satisfying the imagined needs of their pets. There is no evidence that pets 'appreciate' a \$50 toy more than a \$5 toy. Perhaps the inability of pets to tell their owners 'enough' will ensure that growth in such expenditures will accelerate as incomes continue to grow and birth rates decline. Urbanisation is another important factor underpinning the humanisation of domestic pets (Euromonitor 2004a), so the growth of cities is expected to be characterised by larger numbers of animals being treated as if they are human.

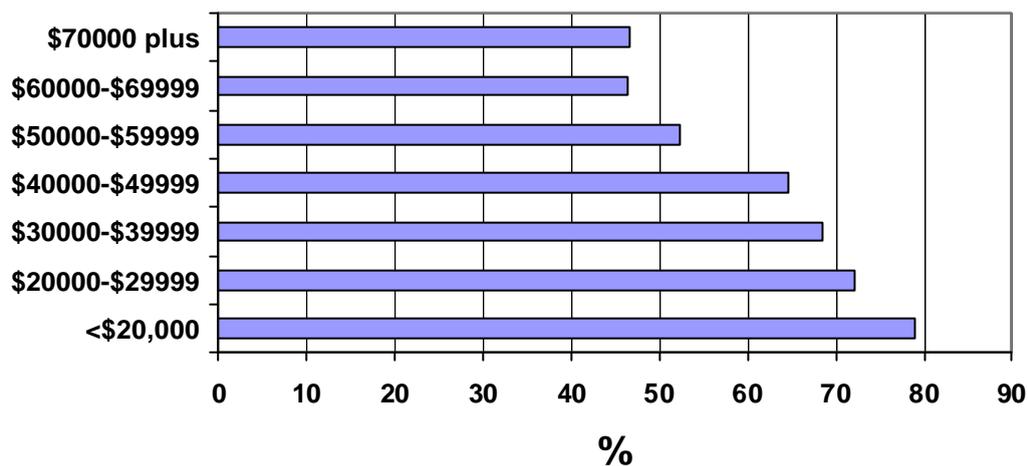
Australian attitudes to income and consumption

The Australian economy grew by more than \$25 billion dollars in 2003 and will in all likelihood grow by a similar amount over the next few years. While this growth provides the capacity to solve a wide range of social and individual problems few people are likely to notice any 'progress'. This is because most, if not all, of this growth is directed towards solving new 'problems', such as the need to clean dogs

teeth, rather than solving old problems, such as the under-funding of dental care for aged pensioners. While most teenagers now own mobile phones, and spend more on them each month than adults once thought affordable for themselves, the 'shortage' of money for health, education and the environment remains much discussed.

A Newspoll survey conducted for the Australia Institute found that 62 per cent of Australians believe that they cannot afford to buy everything they really need. When we consider that Australia is one of the world's richest countries, and that Australians today have incomes three times higher than in 1950, it is remarkable that such a high proportion feel their incomes are inadequate. Further, almost half (46 per cent) of the richest households in Australia (with incomes over \$70,000 a year) say they cannot afford to buy everything they really need (see Figure 1). The proportion of 'suffering rich' in Australia is even higher than in the USA, widely regarded as the nation most obsessed with money (Hamilton 2002).

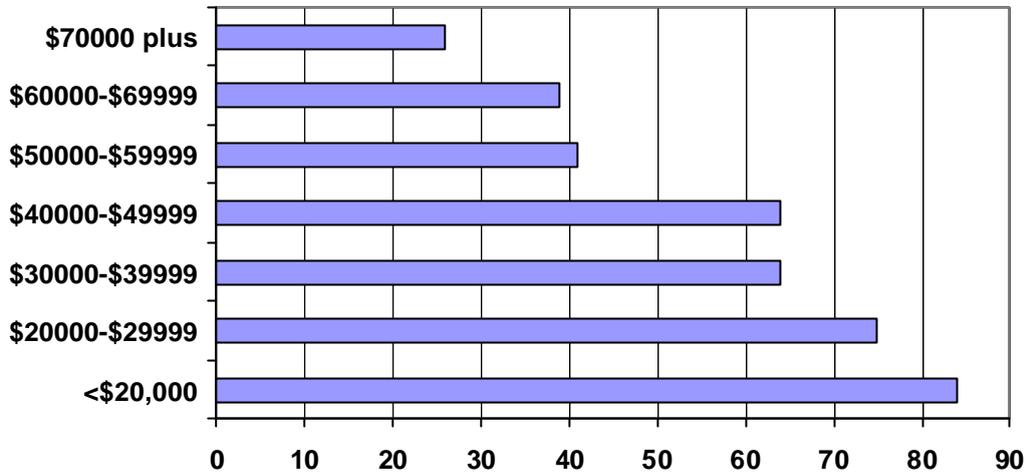
Figure 1 Proportions who agree that they cannot afford to buy everything they really need, by income group (%)



Source: Hamilton 2002

The survey also asked respondents whether they 'spend nearly all of their money on the basic necessities of life'. Across the population, 56 per cent of respondents agreed. Among those in the lowest income group 84 per cent agreed, while among those in the highest income group 26 per cent agreed. These results are reported in Figure 2.

Figure 2 Proportions who agree that they spend nearly all of their money on basic necessities, by income group (%)



Source: Hamilton 2002

More than a quarter of the wealthiest households in Australia believe that they spend nearly all of their money on the basic necessities of life, a belief shared by around 40 per cent of those on incomes of \$50,000 to \$70,000 (Hamilton 2002). These results suggest that a large proportion of middle-income and wealthy households in Australia see themselves as experiencing some form of hardship. As shown above, however, the kind of hardship now experienced by many families extends to worrying about how to afford dog treats, some of which cost \$50 per kilo, more than most people are willing to spend on premium steak, salmon or prawns for themselves.⁴

Needs and luxuries

Record sales of premium pet foods and pet care products in Australia are occurring at a time in which, despite rising real incomes, many high income Australians believe that they are doing it tough. As discussed at length in Hamilton (2002) and Hamilton (2003) this is in large part due to market-driven increases in people's expectations about the level of material standard of living required to deliver happiness. As Euromonitor (2004a) puts it:

Increased spending on cat food is also the result of improved levels of disposable income due to sound economic conditions Australians enjoyed over the last few years of the review period (Euromonitor 2004a, p. 24).

Rising incomes do not seem to lead Australians to the belief that they are now so well off that they can afford to indulge the imagined desires of their pets. On the contrary, as incomes rise luxuries become necessities, and the cost of necessities is experienced as a burden. Many Australians, after putting petrol in the 4WD, paying the energy bills for their 40 square home, paying off the plasma screen TV and assuaged their

⁴ Dog treats such as 'liver treats' retail for over \$5 for a 100 gram serve.

guilt about too little time spent with their pets by buying refrigerated packs of super premium pet food at higher per kilo prices than smoked salmon, still see themselves as facing some sort of hardship. Pets can bring joy to singles and families, but with the advent of super premium pet products it seems they can also add to the imagined financial hardship of millions of overspent Australians.

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