San Francisco Chronicle

BUSINESS EXTRA

Pet Food Is Big Business

Last of a two-part series

BY JOHN ECKHOUSE
Chronicle Staff Writer

Americans own 107 million dogs and cats and each likes to be fed daily, making the pet-food business a huge industry.

Supermarket sales of pet food climbed from $3.7 billion in 1979 to $5.9 billion in 1988, the last year for which complete figures are available. Adding in sales through veterinarians and pet stores, the total comes to $7.9 billion.

About 1,200 manufacturers produce 3,200 different pet foods in the United States. Pet foods take up more space in supermarkets than any category except breakfast cereal.

Recent demographic shifts are having a major impact on the industry, however. With fewer stay-at-home housewives and more people living alone, pet ownership has shifted away from large dogs to smaller, easier-to-care-for cats. Smaller animals mean smaller meals — and sales.

That has caused rapid consolidation in the industry. Because of mergers and acquisitions, the top six pet-food companies now control 81.1 percent of sales, up from 69.1 percent in 1985, according to Wheat, First Securities analyst John Maxwell Jr.

In an effort to boost profits, manufacturers have introduced a variety of new products under both generic and upscale labels.

Private and generic brands account for about 30 percent of sales nationwide, but only 9 percent in California, according to Jeff Ovadia, vice president of marketing and sales for Nulaid Foods Inc. That convinced the poultry company to expand into pet food a few years back. Its NuPet Foods subsidiary now produces about 10 tons of dog and cat food an hour, sold under various private labels on the West Coast.

Just because it's a generic brand doesn't mean it's second-rate, Ovadia said. The company uses the same basic ingredients in its pet foods as it does to feed its 4 million chickens — valued at $40 million.

"We've got to use the best raw ingredients for our birds or else we shoot ourselves in the foot, so the pets are

See Page B14, Col. 1

WHO'S WHO IN PET FOOD

1988 sales and market share of total retail pet-food market:

Company	Top Brands	Sales (in millions)	Market Share
Ralston Purina	Purina	$1,664.4	21.1%
Quaker Oats	Ken-L Ration, Gaines	750.2	9.5
Carnation	Friskies	706.1	8.9
Kal Kan	Whiskas	680.5	8.6
Hill's	Science Diet	650.0	8.2
Heinz	9 Lives, Skippy	592.3	7.5
Alpo	Alpo	431.6	5.5
Doane	private label	400.0	5.1
Iams	Eukanuba	200.0	2.5
Nabisco	Milk-Bone	163.7	2.1
Other		1,661.2	21.0
Total		7,900.0	

Source: John C. Maxwell Jr., Wheat, First Securities, Petfood Industry magazine

Why Pet-Food Labels Baffle Most Consumers

BY JOHN ECKHOUSE
Chronicle Staff Writer

Pet owners trying to control what they feed their animals face a formidable obstacle: the label on the bag or can.

Although standardized by government regulation and industry agreement, the labels contain terms hazy enough to baffle most post-graduate scientists. What, for example, is a digest of poultry by-products or wheat middlings or meat and bone meal?

"It took me three hours to give a lecture on how to read a pet-food label to my veterinary students," said Dave Dzanis, a veterinary nutritionist with the federal Food and Drug Administration who holds a doctorate in clinical nutrition.

The labels also fail to indicate that a small percentage of the ingredients used in pet food consists of dogs and cats that have been rendered after they die, as reported yesterday. Nor is it easy to discover that animal stomachs, poultry feathers, chicken feet or fish heads are common ingredients.

Expensive advertisements lend the impression that only the choicest grades of steaks and chops are ground up and served to finicky cats and dogs. In reality, the meat content in pet food consists mostly of by-products rejected for human consumption for health or esthetic reasons.

Wendell Belfield, a San Jose veterinarian, spent seven years inspecting

See Page B14, Col. 1