



Department of
Primary Industries and
Regional Development

*We're working for
Western Australia.*

Western Australian pet food

Business opportunity outline



Global demand for **premium pet food** is exploding.

Western Australia (WA) has all the required ingredients for success in premium pet food, targeting domestic and Asia's fast growing markets.

Premium pet foods can leverage existing Brand WA strengths and the industry can tell a good provenance story to consumers worldwide.

Clear opportunity for **growth**

WA has a large supply of meat animals and a modern, efficient meat processing industry. The industry has a surplus of co-product and waste streams suitable for processing into premium pet food and treats.

We produce low cost co-products and are a major global exporter of beef and lamb, with large supplies of meat readily available. We also have numerous exotic and niche meats available (e.g. kangaroo) and we are Australia's leading grain exporting state.

#1

Producer of wheat, barley, oats, canola and pulses in Australia.

#2

Lamb producing state in Australia.

Solid drivers

Pet ownership is large and growing globally, with several trends driving this increase.

1. There is a clear move to the humanisation of pets, endowing animals with stronger human characteristics, driven by changing consumer psychology. This is increasing pet ownership and the number of multi-pet households as the perception of pets as family members and companions grow.
2. There is an expanding body of knowledge (and thus awareness) linking pet ownership to happier and healthier lifestyles. Studies have shown that pet ownership can improve mental and heart health by enhancing fitness levels, lowering blood pressure and cholesterol levels, and providing stress relief.
3. There is a shift in consumer demographics, including aging baby boomer populations seeking companionship in retirement and millennial couples viewing pets as good practice for having a family.
4. Global lockdowns related to COVID-19 played a role in encouraging households to increase pet ownership for companionship.

Rapidly growing demand

In Asia, particularly China, increasing pet ownership driven by Westernisation, growing incomes, smaller families and young adults with high disposable incomes. The dramatic rise in pet ownership in China has led to explosive growth in its pet food market, however there are ongoing fears of China's pet food due to past contamination events that killed thousands of pets globally. These latent concerns and a desire for premium, status products have driven up demand for imported pet food in China.

Shifting to premium

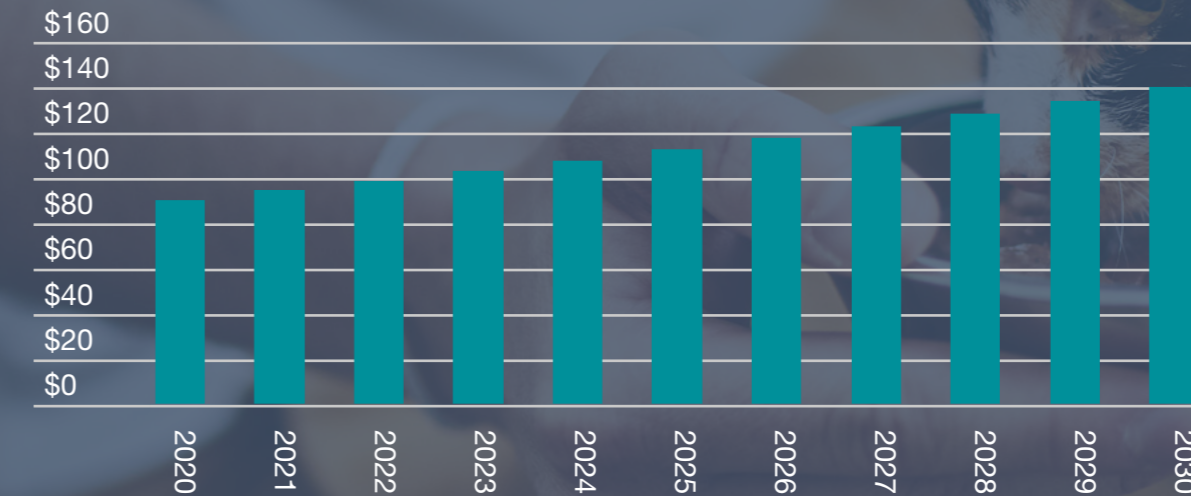
The global pet food market is polarising into discount and premium, with significant growth and profit in the premium end of market. Global pet food market growth is driven by consumers trading up to expensive brands and shifting to premium segments, including snacks, treats, smaller packs and new forms (e.g. freeze-dried).

While this trend was in place prior to COVID-19, the pandemic has supercharged the situation. Consumers that have spent lockdown in close contact with their pets are driving growth in spending.

22%  per annum

Growth in the Chinese pet food market from 2015 to 2020

Forecast global pet food market
(US\$; billion; 2020-2030).



+ \$4  billion new sales

Growth in global pet food revenue in 2021 alone

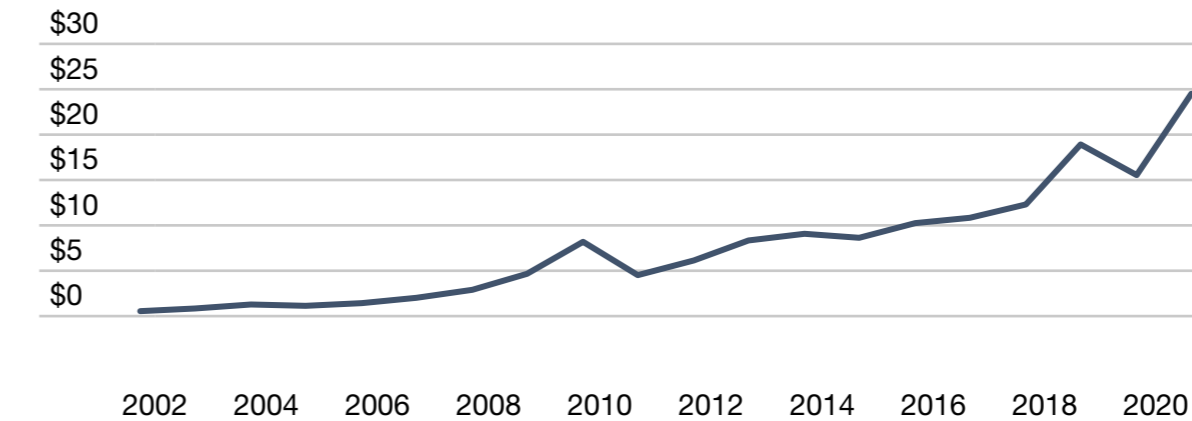
Exports



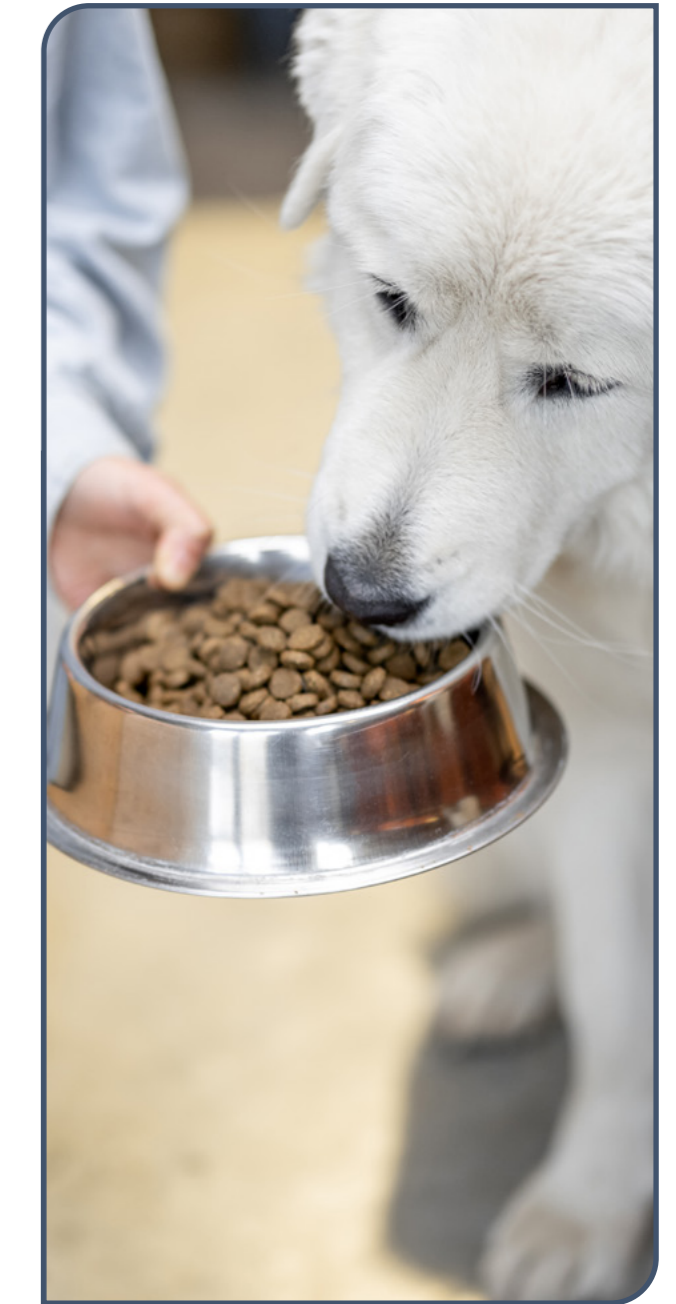
Growing exports

WA is seeing solid long-term growth in pet food exports (HS23091). WA pet food exports experienced a 19 year compound annual growth rate (CAGR) of 18% between the 2002 and 2021* financial years.

WA pet food export value
(AU\$, million; 2002 to 2021 financial years*)



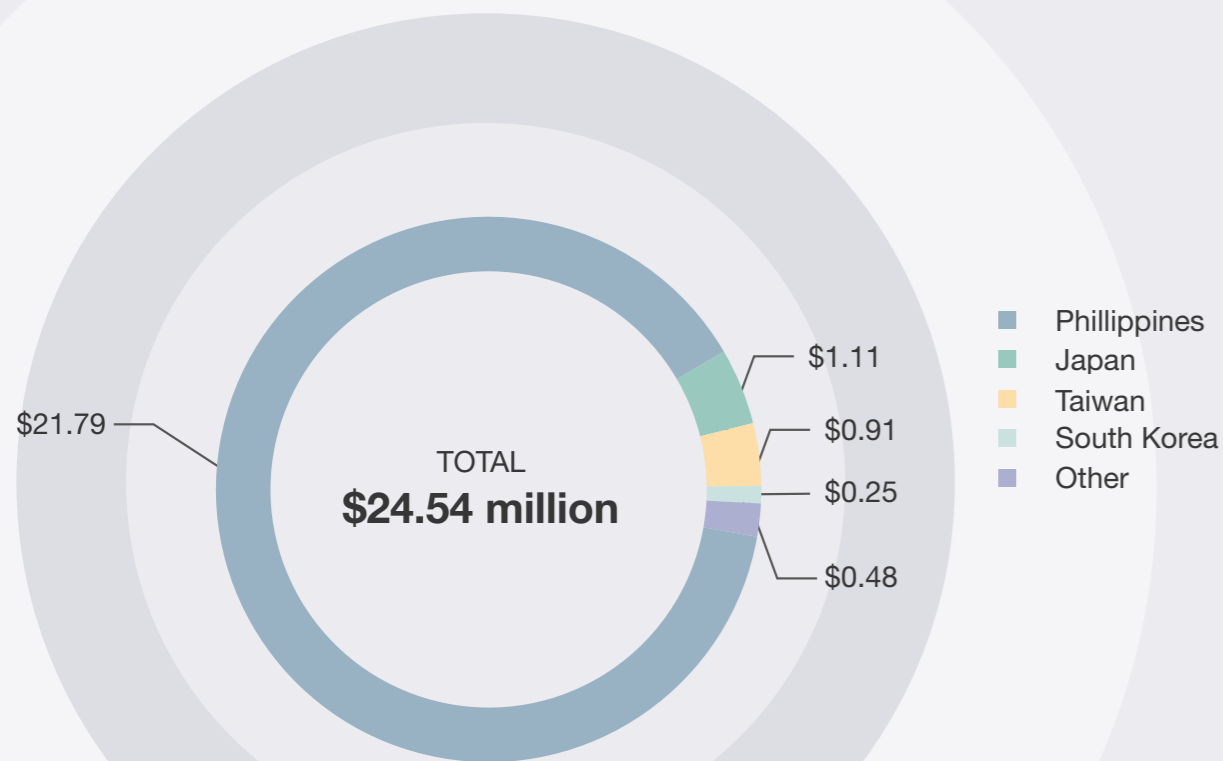
*2021 financial year data is preliminary and doesn't include confidential data.



Key markets

WA pet food exports are predominately to the Philippines (\$21.79), with other key markets including Japan (\$1.11 million), Taiwan (\$0.91 million) and South Korea (\$0.25 million).

WA pet food export value
(AU\$; million; 2021 financial year*)

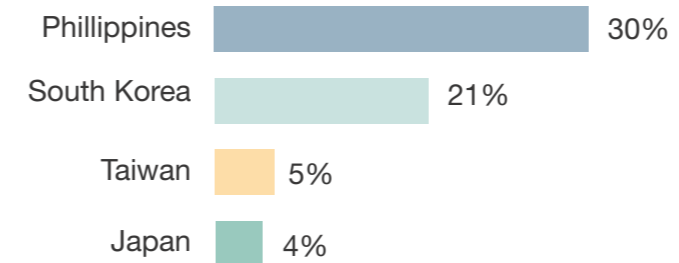


*2021 financial year data is preliminary and doesn't include confidential data.

Market growth

WA exports of pet foods are growing strongly to multiple markets, including the Philippines (30%), South Korea (21%), Taiwan (5%) and Japan (4%).

WA pet food export value 15 year growth rate
(AU\$; CAGR 2006 to 2021 financial years*)



*2021 financial year data is preliminary and doesn't include confidential data.



High quality raw materials

Meats, other animal feeds, grains, oilseeds and pulses are produced in one of the world's cleanest environments making us a leader in delivering healthy food-safe products.

Safe and secure

WA produces a range of high-quality, safe, eco-friendly, ethically produced livestock and meat products. Our livestock has high animal health status, is free from major transmissible diseases, and is backed by supply chain assurance programs and an effective biosecurity system, which includes mandatory traceability and surveillance.

WA is part of an island continent with desert separating it from other states. Our isolated location is free from certain exotic animal diseases. Nationally, Australia has strong biosecurity protocols and systems, ensuring our production environment remains healthy and safe. These measures enable strong market access for pet foods and treats.

WA is a trusted source of pet food ingredients, animal feeds and arable crops for the factories of major East Asia and South-East Asia processors. Being placed literally on Asia's doorstep we are ideally positioned to build on its trusted trade relationships with the fast-growing Association of Southeast Asian Nations (ASEAN) members. WA firms can meet the markets' increasing focus on products quality and safety.

Available capacity

Being the size of western Europe with a population equalling Jamaica, WA has a very large land mass with a relatively small population. We have huge areas of high-quality land well-suited to premium meat and arable crop production.

We also have a wide range of climatic regions and growing conditions, ranging from a tropical climate in the north to a temperate Mediterranean climate in the south.

Large, efficient, sustainable farms

WA has large, productive and efficient livestock and crop farms with a deep pool of experienced farm operators using modern, efficient production systems. Our agricultural products are competitive globally and are produced with negligible agricultural subsidies.

Pet foods using animal and plant ingredients from these production systems could potentially leverage off sustainability metrics, providing a key competitive advantage to premium pet food marketing.



Meat-based ingredients

WA's meat production focuses on three key export meats where it has clear comparative advantage: beef, sheep and pork. Goat, chickens, kangaroo and a range of other meats form a second tier of distinct opportunities for use in pet foods.

Beef

Australia is a major global beef supplier and our production is growing to meet market demand. WA is a significant beef producer, with long-term growth in livestock numbers. In the 2020 financial year we processed half a million cattle and we are well placed to provide cattle-based ingredients for use in pet foods.

Pork

WA is well-positioned to produce additional pork. Our pork industry accounts for 13% of Australian pig meat production and 28% of Australia's pork exports. Our pork is mostly exported to Singapore, Hong Kong, New Zealand and Papua New Guinea. In the 2020 financial year we processed almost a million pigs and we are well positioned to provide pig-based ingredients for use in pet foods.

Lamb

Australia and New Zealand dominate the global sheep meat trade and the market is growing with North America, the Middle East and China the major destinations for Australian lamb. WA has Australia's second largest flock and in the 2020 financial year we processed 3.4 million sheep and lambs. We are well placed to supply sheep-based ingredients for use in pet foods.

Other meats

As well as beef, lamb and pork, WA produces a range of other meats. Chicken production is growing and replacing imports from the eastern states. Such availability would support pet food processors, including those using hydrolysed poultry feathers as an alternative source of protein in their pet food.

Many in the industry are seeing opportunities in goat meat and other more exotic meats such as kangaroos. Additionally, insects such as crickets, mealworms and black soldier flies are gaining attention as a potentially more environmentally friendly source of rich proteins and high fats.

Marine-based ingredients

WA has a large wild capture seafood industry and a rapidly growing aquaculture sector. These industries produce significant co-products suitable for processing into premium pet food.



Plant-based ingredients

WA's arable production system focuses on five key export crops where it has clear comparative advantage: wheat, barley, oats, canola and lupins. We also grow a range of other ingredients such as chia, which can be used in pet food and treats. Many pet food products use a range of grains and plant products, particularly kibble-type products.

Wheat

WA is the Southern Hemisphere's second largest wheat producer, typically providing 45-50% of Australia's total wheat exports.

Barley

WA is also the Southern Hemisphere's largest barley producer.

Oats

WA is the Southern Hemisphere's second largest oat producer and the largest per capita.

Canola

WA is the Southern Hemisphere's largest canola producer in total and per capita. We export more than two-thirds of Australia's total, with volumes showing strong growth.

Lupins

The Australian Sweet Lupin is endemic in WA and we were instrumental in its domestication. Australian Sweet Lupins are high in protein and nutritional value. We are the world's largest lupins producer and exporter with the majority exported as animal feed.

Other ingredients

For a unique advantage, WA can use several native plants species as pet foods, particularly those with functional benefits. However, understanding the impact of these functional benefits on animals is key.

Use of byproducts

WA has a large and growing supply of by-products from locally processed grains like barley, canola and other key oilseeds. These by-products have a wide variety of livestock, pet and animal feed uses.



Efficient infrastructure

WA is one of the world's most advanced and productive regions with efficient supply chains and world-class quality control and quality assurance systems.

Efficient primary processing

The WA meat processing industry consists of 22 plants processing cattle, sheep, pigs, goats, poultry and other specialty meats. Key meat processors include Fletchers, WAMMCO, Linley Valley, V&V Walsh, LSS, Harvey Beef, WMP, Borello, Baiada, Inghams and Mt Barker. All have significant throughput and produce pet suitable by-products.

Growing pet food industry

WA's comparative advantage in meat processing has offered a strong platform for growth into pet foods. We now have 24 pet and animal food manufacturers, with three being large operations and 21 small and medium sized businesses.

Growth ready environment



Productive meat animal and crop farming



Efficient primary processing



Pet food processing opportunity



World class distribution



Skilled workforce



Strong research and development capabilities



Supportive business environment

#9

Forbes
'Best Countries for
Business 2019'
(Australia)

#3

Heritage Foundation
'Index of Economic
Freedom 2021'
(Australia)

Close to key markets

WA is close to Asia, particularly East Asia and South East Asia, both of which are large and growing markets. We are the natural and logical supplier of temperate climate foods to the tropical climate countries of South-East Asia and well-positioned to supply East Asia and the Middle East.

Rapid economic and population growth in Asia and Westernisation of the population has increased demand for pet foods. WA's meat and arable crop industries have been exporting for more than 100 years and have supplied many key products to many Asian countries for that time.

Ease of doing business

Australia is politically and economically stable and is a safe country in which to do business. Our businesses have sound governance and represent low sovereign risk to investors and customers.

Fast time to market-free trade agreements

WA is geographically and strategically well-placed to supply Asia's rapidly expanding markets. We are in the same time zone as much of South Asia and within five days can ship to Indonesia, six days to Singapore and eight days to Southern China. Australia has Free Trade Agreements in place or under negotiation with more than 25 countries and regions and our combination of location and access means we are uniquely positioned as the breadbasket of the Asia region.



Attracting investment

Producing pet foods in WA is attractive, particularly because of our close proximity to Asia. Multiple firms have already invested in pet food processing facilities and additional capacity is planned. There is significant further potential for growth and we can facilitate further pet food processing operations at significant scale.

WA's pet food industry presents unique opportunities for further investment. The sector has highly attractive margins (30-60%), available inputs and access to high-value markets. Pet food producers can leverage WA's comparative advantage in livestock, seafood and grains.

Opportunities for growth and investment exist across multiple production forms, such as premium canned food, premium air-dried kibble (with high meat inclusions), freeze-dried complete meals and treats.

New pet food operations could be either developed adjacent to existing meat processing facilities or established as green-fields operations. Investment in WA's pet food processing would suit a wide range of investors, including joint ventures with existing meat firms, global multinationals focused on pet foods, investors with access to new markets, domestic pet food companies and start-ups.

Scale of potential investment

	small	large
Investment	A\$2 million	A\$80 million
Employees	5-10	100-120
Input volumes	5-10 kt	80-100 kt
Turnover	A\$5-12 million	A\$100 - 120 million
Operating margins	30-40%	30-60%

Existing WA industry examples

WA has a large and well-developed agri-food processing industry. A number of firms stand out as potential partners for a pet food venture.



Supporting investment

The WA government is committed to working closely with investors to develop our pet food industry. The Department of Primary Industries and Regional Development's Investment Services team offers a range of investment concierge services to de-risk and support investment.

The team is made up of experienced industry professionals, who operate with a commercial focus, bringing together businesses, government departments and agencies to support industry investment initiatives.



How we can help

Information to support investment decisions

As a central point of contact for information and advice on investing in WA's agriculture, fisheries, and food and beverage sectors, we provide:

- Information on conducting business in WA.
- Various data and market intelligence.
- Background on relevant regulatory requirements and approval processes.

Investment facilitation

Drawing on in-depth knowledge of the agribusiness, food and beverage industry, and extensive business networks in Australia and overseas, our team can provide guidance and introductions to help secure the investment or opportunity you are looking for. We can:

- Provide introductions to WA agribusiness, food and beverage businesses.
- Identify investment and research partnership opportunities.
- Help plan and conduct site visits to assess opportunities.
- Identify access to available natural resources and infrastructure.
- Identify suitable investor and investment opportunities.

Regulatory approval support

Understanding and securing the required regulatory approvals for your project can be a roadblock to investment. We can provide assistance to streamline processes and simplify your dealings with relevant government departments and agencies by:

- Providing information and guidance on WA's regulatory environment.
- Helping obtain regulatory approvals.
- Coordinating with other government departments and agencies.

Investment-ready project support

Our team is available to provide support to identify and develop your project or business' potential, including guidance on raising capital and getting your project investment-ready.

We can also work with you to provide information on the different types of investment available and investment partners.

By understanding your goals and requirements, we can assist you to identify and develop your project's potential.

Support available

A wide range of national and state-based agencies, industry bodies and research institutions are available to support research and development, commercialisation and investment.



We understand your project and investment requirements are unique.

To get started or expand on your Western Australian investment journey, contact us today.

Speak to our Investment Services team for support and guidance:

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Sources: DPIRD, Heritage Foundation, Forbes, UN Comtrade, UN FAO, Australian Bureau of Statistics, iMarc, EMR, Mordor Intelligence, Grand View Research, Fortune Business Insights, Euromonitor, industry interviews, Coriolis and DPIRD analysis and estimates.

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