

VETERINARY INDUSTRY MARKET OVERVIEW

According to the APPA (American Pet Products Association) in an article called "Pet Industry Robust and Resilient Despite Recession Cuts," and dated February 2009, at the Global Pet Expo, the world's largest annual pet products trade show held in Orlando, Florida, APPA President, Bob Vetere announced that amidst one of the worst economic downturns in decades, the pet industry continues to show resilience. The American Pet Products Association's annual release of comprehensive industry information shows total pet spending in 2008 topping \$43 billion dollars with no declines in any category from 2007. That's more than the gross domestic product of all but 64 countries in the world and almost double the amount shelled out on pets just a decade ago. Also, where most retail sectors are struggling to simply stay afloat, the pet industry is one of the fastest-growing with \$45.5 billion dollars in spending in 2009 and an estimated \$47.7 billion dollars to be spent in 2010.

Due to consumers considering pets as part of the family, the gap in quality between two-legged and four-legged mammals is quickly disappearing in all categories from food and clothing to health care and services. These higher quality products and services and a strong consumer focus on their pet's well-being made health and wellness the most powerful trend in 2009 across the entire pet industry.

Leading the way in the health-care related pet spending categories is veterinary care, as medical advances have made for a much broader and more elaborate menu of services. From cat scans, root canals, and cancer surgery to antibiotics, anti-depressants, and even grief counseling, pet owners have more medical choices and spending options than ever before. According to the 2009-2010 APPA National Pet Owners Survey, basic annual expenses for dog and cat owners in dollars include:

| | Dogs | Cats |
|-----------------------|-------|-------|
| Surgical Vet Visits | \$532 | \$278 |
| Food | \$229 | \$203 |
| Kennel Boarding | \$273 | \$255 |
| Routine Vet | \$225 | \$203 |
| Groomer/Grooming Aids | \$66 | \$22 |
| Vitamins | \$61 | \$28 |
| Food Treats | \$64 | \$37 |
| Toys | \$40 | \$19 |

Pet services is the next fastest growing category as these services become more closely modeled after those offered to people. What used to be simple boarding facilities have turned into doggy hotels with private suites, heated beds, and flat screen TV's showing

hi-def DVD's made especially for their furry guests. Service-based businesses like dog walkers, pooper-scoopers, trainers, and even massage-therapists are booming. Here's a look at how the costs break down.

| | |
|-----------------------------------|-----------------|
| Breakdown: | |
| Food | \$18.28 billion |
| Supplies/OTC Medicine | \$11.01 billion |
| Vet Care | \$12.79 billion |
| Live animal purchases | \$2.21 billion |
| Pet Services: grooming & boarding | \$3.45 billion |

"These numbers further demonstrate that people are more willing to sacrifice on themselves before trimming back on their four-legged friends," said Vetere. "People want to reward their pets in human terms and even in this economy are still demanding the highest quality products and services."

A tipping point was reached in 2005/2006 confirming the humanization trend and this trend continues to intensify with pet food trends quickly following human food and diet trends.

"The pet industry continues to grow at a record pace and has proven to remain strong during times of change, stress, and setbacks," said Vetere. "As pet ownership and pet quality of life continues to rise, so will the pet industry."

SOURCE: The American Pet Products Association (APPA)

The American Pet Products Association (APPA) is the leading not-for-profit trade association serving the interests of the pet products industry since 1958. APPA membership includes nearly 1,000 pet product manufacturers, their representatives, importers and livestock suppliers representing both large corporations and growing business enterprises. APPA's mission is to promote, develop and advance pet ownership and the pet product industry and to provide the services necessary to help its members prosper. Visit www.americanpetproducts.org for more information.