



Kansas
2020 AGGROWTH
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PET FOOD

The pet food industry in Kansas has been a source of growth and is poised for additional growth in coming years. Kansas sits in the KC Animal Health Corridor, which includes several of the world's largest pet food manufacturers, along with more than 300 companies and organizations involved in animal health and nutrition. Pet food sales from the businesses within the Corridor account for over half of the total U.S. pet food sales, and an important portion of the total Kansas exports were animal and pet food exports. Proximity to pet food ingredients which are grown or produced in Kansas are a significant advantage for this region. Pet owners are a growing segment of the population, and the purchasing power in this demographic opens up great potential for this industry.

Although great opportunity exists, the industry also faces some challenges which could serve as a barrier to the kind of growth that is possible. Food safety regulations are increasing within the pet food industry and impact facilities, equipment, workforce and labeling. Several other federal policies impede efficiency in business as well. Distribution of product is a challenge, needing improved transportation infrastructure as well as storage options.



Hiring and maintaining a workforce is difficult particularly in rural communities with a lack of housing. Converting these opportunities into productive economic growth will require the development of a long-term growth strategy

based on input from both public and private stakeholders in the pet food industry. Public outreach, both locally and internationally, could set Kansas up as the leader in pet food manufacturing. Education and government organizations can play a key role in promoting opportunities for innovation and expansion within new and existing businesses. Proactive efforts from key players in this sector can result in growth for the pet food industry in Kansas.

STATUS

With the growing trend of pet ownership, the pet food industry — which includes dog and cat food along with food for birds, fish, reptiles, hamsters and other pets — is poised for additional growth. This business growth can develop into a larger market of value-added products from the resources available in Kansas. Two of the top five pet food companies own manufacturing operations in the state. According to estimates prepared by the Kansas Department of Agriculture and based on the IMPLAN economic data model, the animal food industry in Kansas has a total direct output of approximately \$5.4 billion and creates 3,971 jobs. The industry supports a total of 18,768 jobs and provides a total economic contribution of over \$8.5 billion. The dog and cat food manufacturing industry alone employs 2,549 with a direct output of over \$3.5 billion. The dog and cat food manufacturing industry supports 11,648 employees through indirect and induced impacts and creates a total economic contribution of approximately \$5.5 billion.

Pet food manufacturers located within the KC Animal Health Corridor represent 61 percent of the total pet food sold in the United States. Founded in 2006 and anchored by Manhattan, Kansas, and Columbia, Missouri, the Corridor comprises more than 300 companies and organizations involved in animal health and nutrition, including leading universities and research institutions. Also located in this region are several facilities of some of the United States' and the world's largest pet food manufacturers. These Corridor pet food manufacturing companies also account for 49 percent of global pet food sales.

According to the Euromonitor International data available in fall 2018, global dog and cat food sales alone amounted to over \$86 billion with other pet food totaling an additional \$4 billion. In Kansas, animal and pet food exports were at 4.8 percent of total pet food production which equates to \$168.3 million and ranks this category 7th in state exports in 2017.

The 61 percent of U.S. pet food sales cited by the Corridor amounts to just over \$14 billion of the U.S. total of \$23 billion, which corresponds to data from the American Pet Products Association (APPA). Companies with a business location within the Corridor represent 56 percent of the total animal health, diagnostics and pet food sales, which totals almost \$50 billion in sales (total global sales = \$88.2 billion). Companies located within the Corridor represent 67 percent of the total animal health, diagnostics and pet food sold in the United States, totaling \$21.5 billion in sales (total U.S. sales = \$32 billion).

Data from the APPA National Pet Owners Survey shows 84.9 million U.S. households own a pet: 63.4 million U.S. households own a dog and 42.7 households own a cat. Data from research firm GfK shows that among millennial households, the percentage rises to 57 percent of millennials who own a pet with another 20 percent reporting they intend to get a dog or cat. Also, 10 percent of U.S. pet owners are new to ownership, equating to nearly 8 million new pet owners within the last year, the majority of which are millennials.

In addition, many other players in pet food fall outside the “animal health and nutrition” mission of the Corridor but are important pieces of our vibrant industry. These include equipment manufacturers, processing support organizations, testing, and lab services. The Corridor website lists hundreds of similar organizations by category, its “service provider” members.

OPPORTUNITIES

In order to develop a strategic growth plan for the pet food industry, it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
Capital of the Pet Food Industry	No state or region has proclaimed itself as the pet food capital. Kansas could present itself in recruitment efforts as the key player in the pet food industry.

Factor	Implications for Growth and Development Opportunities
Export Infrastructure	Maintaining and improving export infrastructure will help ensure demand for Kansas pet food products around the world. Good roads for trucks, plenty of rail access across the state, a state-of-the-art intermodal facility, and a central location in the United States are key to a strong export infrastructure.
Ingredient Sources	Pet food uses raw meat, animal renderings, and grains or grain co-products grown or produced in Kansas. Raw meat is the number one ingredient in premium dog and cat food. Manufacturers note the importance of processing facilities located near the ingredient supply. As Kansas grows animal agriculture, opportunities to support this market with co-products increase.
KC Animal Health Corridor	There is room for growth as other animal health companies locate to the KC Animal Health Corridor that stretches from Manhattan, Kansas, to Columbia, Missouri.
Policy Environment	<p>Kansas tax law allows sales tax exemption for farm machinery and equipment and various ag-based inputs. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>At the federal level, Kansas is fortunate to have elected members of Congress who strongly support the agriculture industry. The Kansas congressional delegation will play an important role in influencing positive changes related to federal regulations or legislation, including a national traceability system, international trade, federal taxes, transportation rules, natural resources and more.</p>
Regulatory Compliance	<p>With the innovations at Kansas State University in pet food safety, Kansas is a leader in regulatory compliance and in providing a safe, wholesome product.</p> <p>Many existing pet food manufacturing facilities will be unable to comply with the Food Safety Modernization Act's changes to manufacturing regulations in the next 3-5 years. There is a huge opportunity to attract replacement capacity to Kansas. Some estimates suggest the opportunity of 15 additional plants in Kansas over the next 5-8 years.</p> <p>KDA received Federal State Marketing Improvement Program grant funds to develop FSMA training modules for Kansas pet food industry licensees which were completed and made available in fall 2018.</p>
Supporting Institutional Infrastructure	K-State and KDA provide expertise to guide pet food manufacturers looking to get started or expand in Kansas. They can help businesses be successful in the regulatory environment as well as offer some unique start-up and marketing assistance. Having both grain processing and large animal expertise at K-State is an important part of being the pet food capital.

CHALLENGES

While Kansas is poised for major expansion in the pet food sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

Challenge	Details of Challenge
Consultants	Much of the work done in economic development around where companies choose to locate or expand is managed by consultants. Kansas needs to have more proactive interaction with the major consulting firms across the country so that Kansas is always on their minds for possible locations.
Consumers	The fastest growing segment of pet food is “grain-free” which is not beneficial for a major grain-producing state like Kansas. This trend is linked to misperceptions about inflammation and dermatitis issues in pets being caused by grain.
Critical Infrastructure	<p>Transportation infrastructure is critical for pet food processing. Access to processing facilities with roads that can handle tractor trailers and access to rail for receiving raw commodities is important.</p> <p>A lack of adequate housing in rural areas compounds the issue of a shortage of agricultural workers. Communities could clean up houses and/or neighborhoods which are in poor condition and explore some spec home construction to offer to prospective employees. The state and federal governments do not help the issue by subsidizing low-income housing in rural communities.</p>
Distribution	<p>Pets are where the people are — the largest consumer base is on the coasts and around other major urban centers which also means most of the product has to be shipped long distances if it is made in Kansas.</p> <p>Many small manufacturers of pet food need a warehouse and distribution facility but are not big enough to make it work. A facility that could do this work for several small companies is needed, particularly in serving the Kansas City market or housing for shipment from the Kansas City area.</p>
Education of the Scope of the Industry	There is a lack of awareness that the pet food industry focuses on all companion animal type pets (birds, fish, reptiles, hamsters, etc.) and not just on cats and dogs.

Challenge	Details of Challenge
International Trade	More work is needed to gain market access for Kansas pet food products around the world in terms of awareness, trade policy and shipping. Companies do not think of Kansas as a place to move their business. We need to market the state as the pet food hub for national and international companies. International buyers need to think of Kansas first when they are looking to source product.
Microbiological Testing	There is no private lab in Kansas where pet food manufacturers can have their products tested for micro concerns such as salmonella. This is important for smaller operations that may not have the production to justify their own laboratory as well as for outside confirmation of internal testing.
Policy	<p>The increasing food safety regulatory environment has placed an additional burden on pet food manufacturers to implement processes, including upgrading equipment, sampling product, documenting activities and hiring additional employees to complete all of this work.</p> <p>The U.S. has an antiquated view of poultry meal and poultry co-products as the only country in the world with split definitions. Other species don't have split definitions.</p> <p>Though not unique to Kansas, there exist significant challenges due to federal laws and regulations, including: Waters of the U.S., the Endangered Species Act, burdensome Occupational Safety and Health Administration regulations and more.</p> <p>Inconsistent labeling requirements, licensing requirements, etc. exist from state to state. Pet food is a national and international business making consistent requirements very important to streamlined operations.</p> <p>Corporate farming laws in Kansas make it difficult for poultry production and poultry is a major meat ingredient in pet food.</p>
Supply Chain	From an ingredient-sourcing perspective it is difficult to get ingredients such as rabbit, venison, duck, potatoes, sweet potatoes and field peas, all of which are popular in formulations today. This could potentially drive production to the west coast to be closer to these ingredients and the large population base.
Workforce Development	<p>Pet food manufacturers, similar to other agricultural companies, face challenges finding and hiring qualified candidates.</p> <p>In the pet food industry, it is often more challenging to find employees who are willing to work in manufacturing rather than finding employees with a specific level of education. Hiring and maintaining a workforce particularly in the rural communities is a challenge.</p> <p>The educational system and current culture focuses heavily on preparing high school students for college and undervalues the opportunities available in technical careers for students with a strong work ethic.</p>

SUCCESSSES

Key successes in the pet food industry:

- Petfood Forum relocated to Kansas City from Chicago; the relocation was received with enthusiasm and the event was scheduled to be held in Kansas City again in 2020.
- In 2018, Kansas commodity partners joined KDA to host a Kansas grains trade show booth at Petfood Forum in Kansas City, highlighting corn, sorghum, soybean and wheat.
- Together with Food Export Association of the Midwest, the KDA ag marketing division brought a pet food ingredient buyer mission to Kansas City in April 2018, 2019, and will host again in 2020. KDA assisted with the buyer mission at the Global Pet Expo in 2019 and will assist again in 2020.
- The pet food curriculum has become a separate area of focus within the K-State grain science program allowing students to learn to work specifically in the pet food business. In the 2017–2018 academic year, 25 students enrolled in the pet food minor and 27 students enrolled in the pet food option of the feed science and management major.
- The KDA ag marketing division secured a STEP grant to include a trade mission to Petfood Forum–Asia. The department took two Kansas pet food industry companies to the forum and the VICTAM trade show in late March 2016. In 2018, KDA secured a STEP grant and returned to the trade show with three Kansas companies. In 2019, KDA secured a STEP grant to support Kansas company’s participation in Foro Mascotas Pet Food Internacional and VICTAM trade show.
- Numerous pet food trade missions over the past year have opened discussions with potential export market opportunities: Petfood Forum Asia in March 2018, China in August 2017, Cochran Fellowship in-country from Serbia in March 2018.
- K-State has received sponsorship to establish a professorship in the pet food program as well as a gift supporting faculty and research in the area of pet food and nutrition science.
- In collaboration with other states and national organizations, online FSMA pet food training modules and a training course were created and made available to pet food licensees in fall 2018, bringing increased training opportunities to Kansas.
- K-State received two Federal State Marketing Improvement Program grants to support pet food research.
- Expansion of FFA programs in urban areas could help expand the workforce to meet the needs of pet food companies in Kansas; Wichita Southeast established an FFA program in 2017 and Washington High will start an FFA program in 2019.
- K-State began hosting the Petfood R&D Showcase, an annual event featuring leading suppliers, researchers and pet food industry colleagues, with cutting-edge scientific presentations and interactive labs.

Pet Food

GROWTH OBJECTIVE:

Establish Kansas as the pet food capital of the world by increasing support of the pet food industry, attracting new businesses to the state and expanding opportunities for existing companies to increase sales and profitability.



OUTCOMES & ACTION ITEMS

Leaders from throughout the Kansas pet food industry will continue to collaborate in the development and implementation of a long-term strategic growth strategy with input and discussion among key partners. Industry-identified desired growth outcomes, initially developed in 2016 and expanded to include action items, will be implemented by industry and key partners and updated annually at the Kansas Governor's Summit on Agricultural Growth. Following are the proposed action items to continue building on the achievement of the pet food sector desired outcomes.

High Priority Outcomes

National reputation as the destination for expansion in the pet food industry through trade show displays, marketing initiatives, advertisements, recruitment trips, and proven success.

ACTION ITEMS:

- Develop promotional materials highlighting Kansas as the pet food capital of the world.
- Meet with site consultants to introduce them to Kansas.
- Send annual reports and letter of invitation to Kansas.
- Build relationships with protein and grain suppliers.

A competitive and competent workforce to meet the needs of pet food companies in Kansas. Connections between the pet food industry and high school agriculture education programs would encourage more interest in careers in pet food that would lead students to pursue specialized training in technical schools, community colleges and universities.

ACTION ITEMS:

- Focus on middle school and high school programs to find individuals with the necessary skills to fill jobs in pet food companies.
- Expand FFA programs in urban areas.
- Develop talent outside of Kansas State University to broaden the pool. Use community colleges and urban high schools in addition to high school agricultural education programs.
- Increase awareness and educate students on the job opportunities available in the industry by having Kansas Department of Agriculture and industry representatives speak at Kansas schools, participate in career fairs, and host facility tours.

Continued support of the pet food minor in the grain science and industry department in the K-State College of Agriculture.

ACTION ITEMS:

- Work with advisors to encourage students to look into this industry.
- Encourage companies to visit K-State and establish a relationship as a supporter of the program.
- Work with K-State and pet food companies to design internships.
- Support pet food innovation center.
- Expand pet food options to offer B.S./M.S./Ph.D. level degrees.
- Explore technical training and support consortium for workforce development.
- Engage industry in reworking curriculum to meet industry needs including marketing, business principles and technical skills.

Fully functioning pet food industry association at the state and national level to advocate for the pet food industry.

ACTION ITEMS:

- Work with industry experts to establish needs and goals of an association, which could then be a leader for the pet food industry nationwide.

Medium Priority Outcomes

Expanded laboratory testing to provide Kansas companies with quality services and fast turnaround. For example, salmonella testing for pet food and ingredients would be a benefit in northeast Kansas since most samples are currently sent out of state.

ACTION ITEMS:

- Establish testing capability at the KDA agricultural laboratory.
- Consider addition of private labs in northeast Kansas, possibly at the new American Royal business park.
- Advertise the testing services offered in Kansas.
- Recruit third-party lab services (they exist, but we need a location in Kansas).

Private and public collaboration to develop and construct manufacturing facilities or distribution centers as speculation plants to attract and accommodate new companies to Kansas.

ACTION ITEMS:

- Work with industry consultants to identify companies which may be interested in a move to Kansas.
- Contact private sector individuals for investment purposes.
- Work with design and construction companies to determine if the potential facility could fit more than one industry.

A marketing program to promote the importance of the pet food industry in Kansas, similar to the dairy initiative.

ACTION ITEMS:

- Design a campaign similar to the Kansas Dairy Initiative.
- Create marketing materials to promote Kansas and the pet food industry.
- Attend industry events to establish relationship and credibility with industry representatives.
- Work with local economic development professionals to determine sites, resource needs, etc.
- Promote the Strategic Growth Initiative process, a program to help counties and communities proactively seek potential business growth opportunities, working with KDA, the Kansas Department of Commerce, and K-State Research and Extension.
- Help farmers connect with pet food manufacturers.

Low Priority Outcomes

Ongoing professional dialogue to analyze and prioritize ideas within the pet food industry. Potential topics would include value-added products, specialty ingredients, marketing, consumer trends, investors, research, etc., and would build upon the Pet Food Forum held in Kansas City.

ACTION ITEMS:

- Continue to host the Petfood R&D Showcase for industry, K-State and economic development representatives.
- Focus on value-added products, specialty ingredients, consumer trends, marketing, etc.
- Incorporate new ideas into the state association's efforts.
- Consider a pet food innovation center.

Effective array of “soft” incentives (e.g., mentorships, internships and training on interaction with financiers) to ensure that companies have access to the best information, workforce and financing to economically grow and thrive in Kansas communities and bring pet food products to market. The need for physical space for small-scale product development also exists.

ACTION ITEMS:

- Find small spaces for start-up companies.
- Distribute resources and information through seminars, webinars, industry outlets, etc.
- Research investment forums conducted in other states.
- Research Iowa Entrepreneurship Internship program.
- Combine with marketing objective.
- Work to establish tax incentives.

Facilities to meet the needs identified by the industry, to possibly include incubators, manufacturing facilities or distribution centers.

ACTION ITEMS:

- Assemble a group of representatives from across the supply chain to identify the type of facilities and incubator spaces needed for the industry.
- Hold the first group meeting and identify the primary need by 2019.

Policies in this document are a reflection of industry discussion and not a representation of state government.