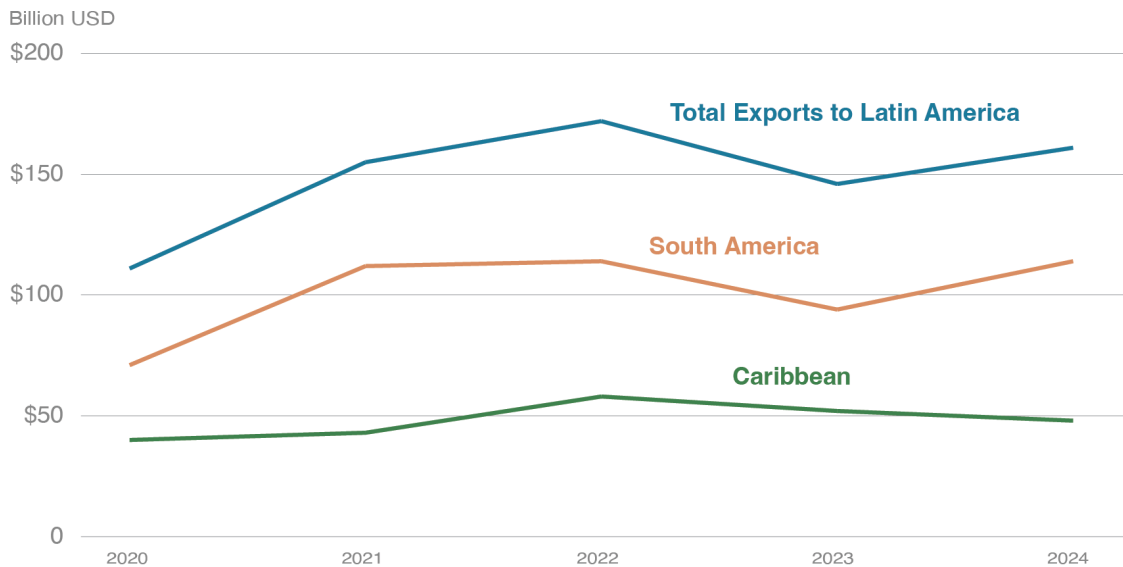


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Expanding the Dog and Cat food Market in South America and the Caribbean

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U.S. Exports to Latin America



Source: U.S. Census Bureau Trade Data – BICO-HS10

Executive Summary

Latin America (South America and the Caribbean) is the third-largest market for U.S. dog and cat food. The region is currently experiencing disinflation, lower interest rates, favorable export commodity prices, and increased tourism, all driving economic activity. This boost in economic activity enables consumers to focus on pet care, particularly regarding their pets' diets. Brazil, Peru, the Dominican Republic (DR), Colombia, and Trinidad and Tobago are evolving pet food markets, offering significant opportunities for increasing U.S. pet food exports.

Macroeconomic Perspective

According to the United Nations, Latin America consists of 25 countries, with 82 percent of the population living in urban areas. The World Bank reports that Latin America's total gross domestic product (GDP) is \$7.1 trillion, with a growth rate of 2 percent in 2023. Latin America is the third-largest market for U.S. dog and cat food exports, importing \$162.0 million in 2024, an 11-percent increase from 2023. As the region's economy further stabilizes from the COVID-19 pandemic, it expects a rise in demand for imported dog and cat food.

Additionally, the Economist Intelligence Unit (EIU) projects inflation to decrease by 9 percent in 2025 and to continue declining. According to EIU, Latin America is experiencing disinflation, lower interest rates, favorable export commodity prices, and an increase in tourism, all of which are driving economic activity and an increase in discretionary spending. As the economies of most Latin American countries stabilize, there is growing consumer spending on pet care.

Consumption Trends and Drivers

During the COVID-19 pandemic, pet ownership increased globally, especially in Latin America. In 2023, Latin America imported \$259.0 million worth of dog and cat food, a 75-percent increase since 2020. The primary exporters of dog and cat food to Latin America (excluding intra-regional trade) are the United States, the European Union (EU), and Mexico, with the United States holding a 40-percent market share.

This surge in pet ownership can be attributed to consumers adopting pets for companionship during the lockdowns and an increase in disposable income. Consequently, this rise in pet ownership has led to higher pet food purchases, particularly dog food. With an urbanization rate of 82 percent in the region, many consumers are choosing smaller dogs and cats, which are more suitable for apartment living. The shift toward apartment housing in Latin America has resulted in an 8-percent increase in cat ownership and a 7-percent rise in cat food purchases.

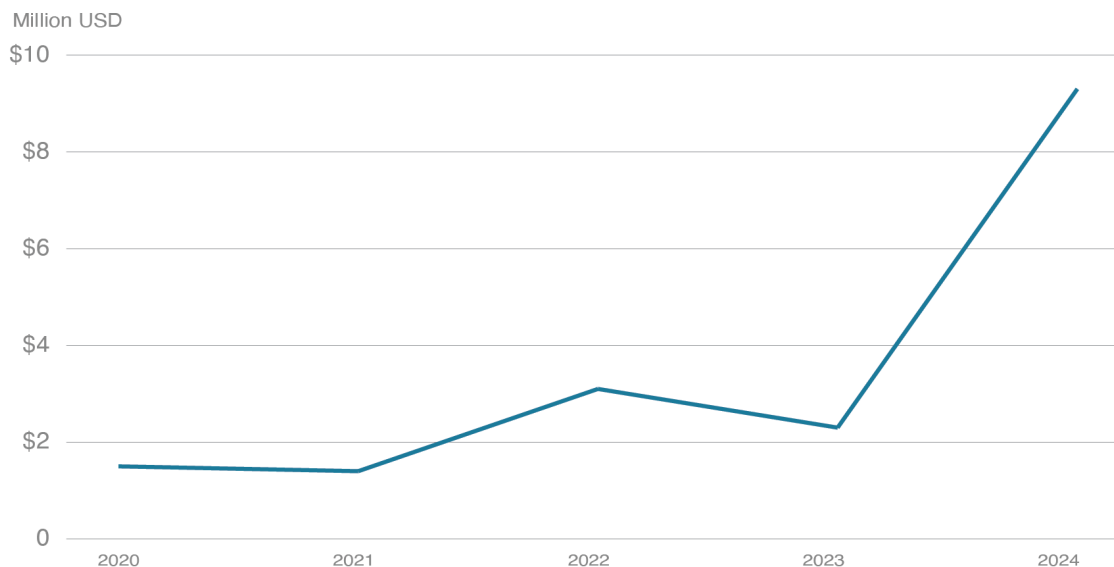
As demand for dog and cat food grows in Latin America, consumers increasingly seek premium pet food options. According to Euromonitor, the trend stems from the growing humanization of pets; in Latin America, 74 percent of owners view their pets as beloved family, the highest percentage of any region. This humanization is prompting consumers to pay greater attention to the ingredients and quality of pet foods. There is a rising demand for sustainable, healthy, and natural pet products. This rising demand is observed in the increased purchases of wet pet food. However, dry pet food remains the most popular in Latin America.

Evolving and Emerging Markets

Brazil

Brazil is one of the largest markets in the rapidly growing pet food industry. Brazil has the third-largest pet population in the world, following China and the United States, according to S&P Global. In Brazil, there are four pets for every five people. However, unlike China and the United States, most Brazilians do not use prepared pet food, indicating significant potential for growth in this sector. In 2024, the United States exported \$9.0 million worth of dog and cat food to Brazil, marking a fourfold increase since 2020. The United States is one of Brazil's leading suppliers of pet food after the EU, holding a 30-percent market share. Like the rest of Latin America, Brazil is recovering economically from the pandemic and the inflationary impacts. This situation has made Brazilians more price-sensitive, especially regarding pet products. According to the U.S. Department of Agriculture's Foreign Agriculture Service (FAS) Brasilia, Brazilians are leaning toward middle- or low-priced pet food. However, as inflation decreases and Brazil's GDP grows, there is a notable rise in the demand for premium pet food.

U.S. Dog and Cat Food Exports to Brazil

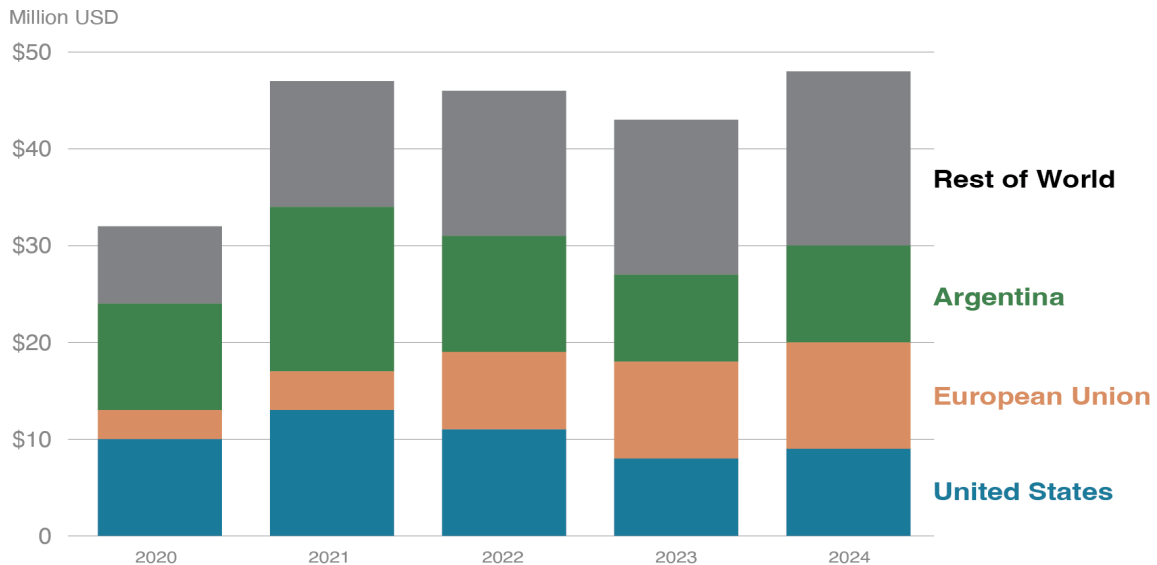


Source: U.S. Census Bureau Trade Data – BICO-HS10

Peru

Peru is an emerging market with projected growth in pet food exports. According to Trade Data Monitor, in 2024, Peru imported \$48.0 million worth of dog and cat food, an 11-percent increase from 2023. Euromonitor forecasts sales in Peru’s pet care sector to reach \$730.0 million. The United States exported \$9.0 million worth of dog and cat food, making it one of the leading destinations, holding a 21-percent market share in the Peruvian dog and cat food market. There has been a notable increase in cat adoption in Peru, largely due to the perception that cats are easier to care for than dogs. This trend is driving an uptick in cat food purchases. Like the rest of Latin America, Peruvians invest in premium pet care. Peruvian consumers are better educated about canine and feline health and buy high-quality, gourmet pet food to help reduce future veterinary costs. As inflation decreases, a robust economy and a continued trend of pet humanization are expected to contribute to a promising future for the pet food market in Peru.

Peru's Global Dog and Cat Food Suppliers



Source: U.S. Census Bureau Trade Data – BICO-HS10

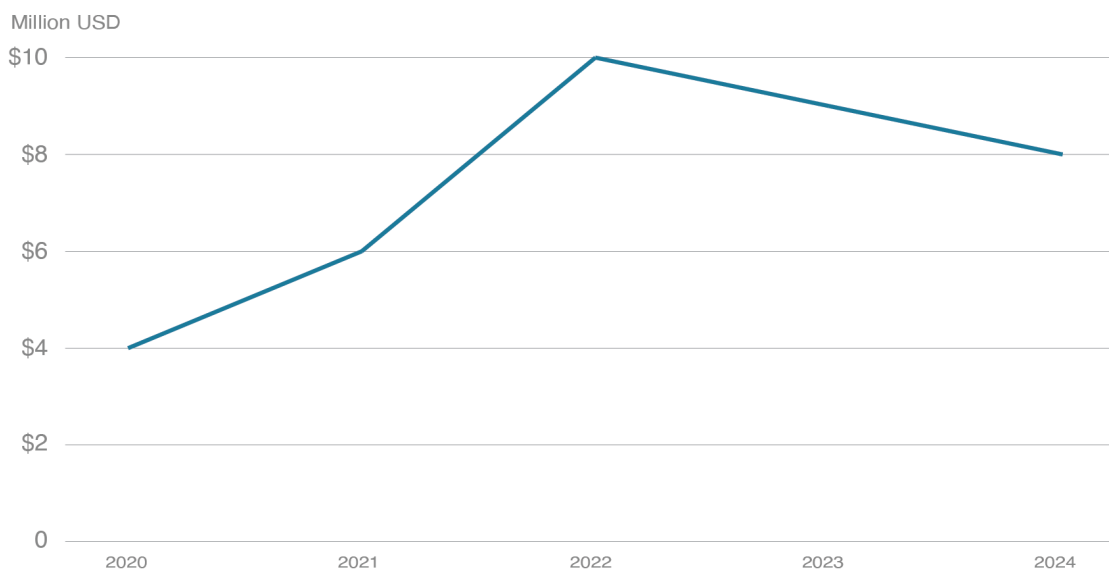
The Dominican Republic

The DR is the largest economy and second-most populous country in the Caribbean. The EIU highlights that the DR has experienced rapid growth during the past decade, with a projected GDP increase of 2

percent in 2024 and a forecasted rise of 5 percent in 2025. Inflation fell by 5 percent in 2024, and the EIU expects it to continue declining. In 2024, the DR imported \$22.0 million worth of dog and cat food, marking a 5-percent increase from 2023. The United States exported \$8.0 million worth of dog and cat food, maintaining its position as the leading pet food exporter with a 38-percent market share in the Dominican pet food market. However, U.S. dog and cat food exports decreased by 8 percent, exports from the EU increased by 19 percent, and Mexico's exports rose by 6 percent in 2024.

The DR's pet food market is projected to grow by 12 percent per year, adding an annual \$29.0 million (1.8 billion DOP) by 2029. The DR is an expanding and competitive market, and the United States is its leading agricultural exporter. The comprehensive free trade agreement (FTA) between the United States and the DR presents opportunities for the United States to expand its presence in the Dominican pet food market.

U.S. Dog and Cat Food Exports to Dominican Republic



Source: U.S. Census Bureau Trade Data – BICO-HS10

Trade Policy

The United States has a total of four FTAs in Latin America: The United States-Chile FTA, the United States-Colombia Trade Promotion Agreement, the Dominican Republic-Central America FTA, and the United States-Peru FTA. These FTAs allow most goods from the United States to enter these countries duty-free. The full implementation of these agreements led to a significant increase in U.S. exports and

enhanced the competitiveness of U.S. dog and cat food in international markets. For example, Colombia and Chile rank among the top 10 U.S. pet food export markets globally.

In contrast, U.S. dog and cat food faces a high tariff rate of 51 percent in Brazil, as pet food is classified as a luxury good. This tariff rate results in higher costs for these products. Any product containing more than 1 percent of genetically engineered ingredients must be labeled as "transgenic" and marked with a black "T" symbol inside a yellow triangle. This requirement applies to both human and animal consumption of biotech products. The label must also specify the donor gene, which poses a challenge for U.S. pet food companies, as ensuring traceability of the corn and soybeans used in production can be difficult, according to FAS Brasilia.

Conclusion

U.S. dog and cat food exports to Latin America are experiencing significant growth, with prospects to continue increasing. Latin America is the third-largest U.S. pet food export region globally, with ample room for further expansion. The region is recovering economically from the impacts of the pandemic and inflation, prompting many consumers to prioritize their pets. As Latin America leads the world in the humanization of pets, it also leads the world in premium pet care, emphasizing the diet and health of their pets. With an improving economy, a focus on pet humanization, and rising demand for premium pet food, pet food is set for continued growth.

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