

The Global Animal Health Industry – Trends, Challenges and Opportunities

Introduction: A Changing World

We live in a rapidly changing world where the equilibrium between people, companion and food production animals and wildlife is changing rapidly. Nine major trends highlight the importance of healthy animals.

1. Growing demand for food and changing dietary patterns. Driven by population growth and a rise in per capita income, FAO projects a 70% increase in food demand by 2050. Since the 1960s, dietary patterns have been changing towards consumption of more livestock products and fish.
2. Changing food production systems. The livestock sector is among the fastest growers in agriculture and is a valuable source of wealth, generating food and rural income. Pig and poultry production continues to expand and is more integrated within global supply chains.
3. Increasing trade of food products. Trade of agricultural products is increasing as a result of better transport and fewer barriers. Poultry and pig meat exports have increased by 520% and 207% respectively over the last twenty years, with similar trends for beef and dairy products.¹
4. Increasing animal-health and food-safety awareness and standards. There is evidence and awareness of the important link between animal health, food safety and public health. Consumers want risk-free food and so governments, farmers and veterinarians work towards ever better, science-based standards to improve animal and public health.
5. Increase and persistence of communicable diseases and zoonosis. Emerging and re-emerging communicable animal diseases will continue to lead to outbreaks with serious consequences. Being warm-blooded animals, humans share diseases with animals - three out of four emerging diseases are shared between humans through animals. Early detection of pathogens circulating or emerging in animal populations is a public and animal health priority.
6. Increased spread of vector-borne diseases due to climate change. 1 million people die annually from diseases like malaria, dengue, yellow fever and tick-borne encephalitis carried by mosquitoes, flies, ticks and other insects. Rising temperatures are leading to changes in the location and incidence of insect prevalence and disease outbreaks.
7. Increasingly constrained natural resources. There is increasing competition for agricultural land, water, marine fisheries and other resources. This constraint has created a need to produce more food with less resources.
8. Increasing importance of science/technology for productivity increases. With only a small percentage

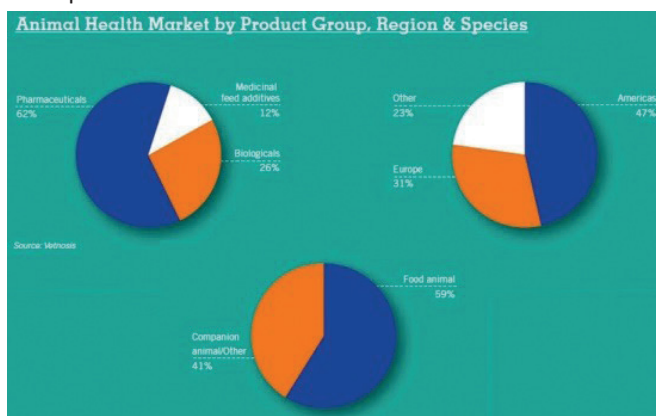
of land available to produce the required extra food needed to feed the growing population, 70% of the necessary increase in food production will have to come from increased farming efficiency and innovations.

9. Increasing number of companion animals. With rising standards of living, ageing populations and an increasing desire for companionship, there is a rapid rise in the number of companion animals. Human-animal interactions bring many benefits, and pet owners constantly look for improved ways to care for their animals. There are also zoonotic risks from people and animals living in closer proximity.

The Global Animal Health Industry

Globally, there are 20 billion chickens, 1.4 billion cattle, 1 billion sheep, 1 billion pigs, and hundreds of millions of companion and other animals. Like people, these animals can get sick and need medicines. No matter how animals are cared for, from pets living in comfortable apartments to high-tech livestock barns for turkeys, to open-range grazing for cattle, animals as well as people benefit from today's veterinary medicines.

The animal health market was worth US\$23 billion in 2013.² Globally, about 60% of the spend is on farm animal health, though this differs per country. Global sales are divided roughly between North America with a 47% share, Europe with 31%, and the rest of the world with 23%. Globally, about 60% of spend is on farm animal health, though this differs per country. Eleven global companies sell more than 80% of the world's animal health products – Zoetis, Merck, Merial, Elanco, Novartis, Boehringer-Ingelheim, Bayer, Lohmann, Virbac, Vetoquinol and Ceva.



Source: Vetnosis

How the Industry Provides Solutions and Value

These global trends pose both challenges and opportunities for governments, industry, and stakeholders. How to ensure healthy food animals to produce more with greater efficiency and in a sustainable manner? How to



ensure healthy companion and working animals? How to avoid or recover from disease outbreaks that can impact entire economies?

The animal health industry has become an important player in addressing these issues. One of the most important contributions of animal medicines is their role in helping ensure that only healthy animals are used for food production. Studies show the importance of healthy animals to the production of safe food, and the potential risks from consumption of food from sick animals. Animal health products help protect public health and the global food supply from unsafe foods. Much like safety, increasing the availability of nutritious foods is important too. The animal health industry plays an important role in helping provide an increasing amount of animal-sourced foods. By providing the tools to protect the health of animals, the co-benefit to society is that greater quantities of food are available for consumers – many of whom are moving into the middle class and increasing protein consumption. Protecting the health of animals with proper care, vaccines, and medicines also contributes to more sustainable production of food. Sick animals require more resources and are less able to convert nutrients to food. In these economic times, it is important to highlight the role of investment and belief in the future of the industry. The animal health industry

is a significant global investor in the knowledge economy, science jobs, and research. For the past 20 years, industry participants have consistently increased the amount of investment into research, development and manufacture of new products to address important challenges.

Lastly, the benefits of animal medicines for companion and working animals are incalculable: the reduction in animal suffering which allows animals to live longer lives, and the ensured safety of close contact with pets are prime examples.

Hurdles and Challenges

The animal health sector faces five major challenges that limit its capacity to deliver innovative solutions for veterinarians, farmers and pet owners.

First is the lack of harmonisation in technical requirements for market authorisation. The industry supports the implementation of rigorous, proportionate, science-based regulatory standards, but there is a need for consistent application of guidelines and the development of global standards.

Second is the challenge of public acceptance of new technologies. Increased transparency and science-based decision-making are needed to build consumer confidence in animal health products, including the use of biotechnology.

Third is the challenge of further opening up trading. Trade is key to global food security - growing food where resources exist and productivity is high increases the food availability, keeps it more affordable, and makes production more sustainable.

Fourth is the growing concern about antibiotic resistance. The animal health sector promotes responsible use of antibiotics and subscribes to the principle “as little as possible, as much as necessary”. Antibiotics remain an invaluable part of a veterinarian’s toolkit, and their importance in protecting both consumers and animals should not be underestimated.

Fifth is the tendency to apply common regulations to human and veterinary medicines, ignoring major differences like product requirements and use conditions. Contrary to human medicines, veterinary drugs are not reimbursed - farmers and pet owners pay for them out of their own pockets.

Animal Health Looking Forward: Trends and Opportunities

Looking ahead, a series of assumptions can be made.

1. The trends identified earlier will continue and intensify. There will be more demand for and more consumption of animal products; food production systems will continue to change and trade will increase; awareness and implementation of animal health standards will increase; diseases will emerge



and re-emerge; vector-borne diseases will spread faster; new technology will be applied; there will be less natural resources available and there will be more pets.

2. Disease control and food security will continue to be of particular importance. Awareness of economic impacts of livestock diseases will grow. How global agriculture will maintain and optimise productivity with fewer resources is intrinsically linked to innovative solutions for animal health.
3. The 'One Health' approach, which the animal health industry supports, will bring more recognition that 'healthy animals equal healthy people', and will lend weight to closer partnerships between the human and animal health sectors.
4. The animal health market will continue to grow due to increasing animal populations. Two recent forecasts estimate that by 2018/19 the global animal health market is expected to grow at an annual rate of 7-8% to reach an estimated value of US\$41-43 billion in 2019.³
5. Animal health expenditure on farms is increasing, due to the increasing number of animals and the growing concern for their health.
6. Companion animal spending will grow, as will the demand for innovations to improve pet care.
7. There is a growing demand for innovative solutions. Animal health products like vaccines, parasiticides, anti-infectives and feed additives are especially prominent.⁴ New regulations for the control of animal diseases to reduce food-borne diseases offer opportunities, as will the urgent need to develop new vaccines. Vaccines will be the fastest growing product

segment in the future.

8. The global animal health market is in the midst of a series of mergers, acquisitions, spin-offs and joint ventures. This reflects a growing recognition of the importance of the animal health industry. Changing regulatory environments and the emergence of regional and country-specific companies will increase competition in the global market.

References

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4. Global Industry Analysts, report on Animal Medication markets. Animal Medication: A Global Strategic Business Report



Carel du Marchie Sarvaas, Executive Director of the International Federation for Animal Health. IFAH represents international companies, as well as associations that comprise small and medium-sized enterprises, engaged in R&D, manufacturing and commercialisation of veterinary medicines, vaccines and other animal health products. IFAH

members represent approximately 80% of the global market
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