

Grayway



THE NATURAL CHOICE

CHAMPION PETFOODS CHOOSES
FIRST U.S. SITE FOR REGION'S
AGRICULTURAL OFFERINGS



THIS ISSUE / The Natural Choice



Stephen Gray
Chief Executive Officer

Americans treat their pets as members of the family, and more and more, they are feeding them that way too. As American diet trends move to less-processed, more natural foods, pet lovers are becoming very selective about what they feed their dogs and cats. In this GrayWay, we take a close look at a leading Canadian pet food company, Champion Petfoods, that uses only fresh regional ingredients in its pet food brands. Not only are Champion's recipes unique, their approach to business expansion is atypical to most pet food producers. Read on to find out more about where and how Champion Petfoods chose its first U.S. location.



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Champion Petfoods
Auburn, Ky.

Champion's award-winning
ACANA™ pet food will be
produced at its new Auburn, Ky.
kitchen, using only ingredients
grown and raised in Kentucky.

A CHAMPION AMONG US

CHAMPION PETFOODS BUILDING FIRST U.S.-BASED PET FOOD KITCHEN

When Canada-based Champion Petfoods decided to expand operations to the U.S., site selection was of the utmost importance, but not for the reasons typical to most U.S. manufacturers. Yes, it was important to choose a site with easy interstate access, competitive energy costs and a strong labor pool. But, above all else, the home to Champion's first U.S.-based pet food kitchen would have a robust and vibrant agricultural community, diverse enough to supply all of the ingredients for its premium pet food brands. After two years of searching, Champion selected Auburn, Ky., a community rich in agriculture that could fulfill its fresh ingredient needs.

It may come as a surprise to some that a successful pet food producer like Champion relies solely on regional agriculture to make its products. This approach doesn't sound very cost-competitive, after all. But, according to them, that's precisely why Champion has become Canada's largest specialty pet food producer. Fresh regional ingredients are a cornerstone to Champion's mission and vision, and a key component of what they call their "BAFRINO™" mandate.

BAFRINO™ is an acronym coined and trademarked by Champion that stands for biologically appropriate, fresh regional ingredients, and never outsourced.

"Biologically appropriate in its simplest form means matching the food to the animal," said Peter Muhlenfeld, chief brand officer for Champion. "That might seem obvious, but it's not in the pet food world. If you think about a cow, its jaws move side to side. It also has four stomachs in order to process plants easily. Dogs' and cats' jaws move up and down and have sharp, strong teeth for ripping and tearing.

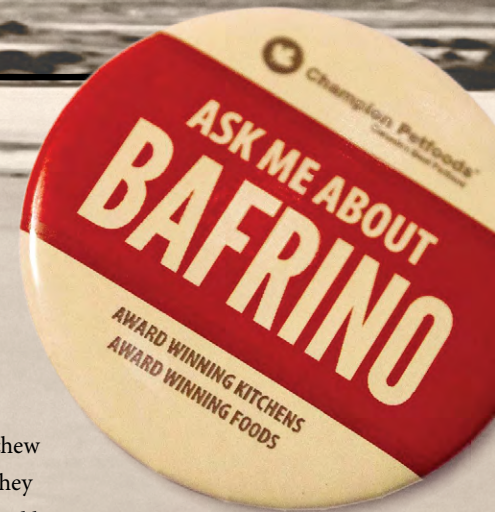
They don't chew their food, they swallow it, and have very short digestive systems evolved for meat. A biologically appropriate food has a lot of meat, and a rich diversity of meat. We match the food to the eating anatomy of the animal."

The "FRI" in BAFRINO™ stands for fresh regional ingredients. Part of Champion's vision is to earn the trust of pet lovers worldwide, and they believe this starts with using only fresh regional ingredients.

"If we want to be trusted by pet lovers, we need to know who we are buying our ingredients from," said Muhlenfeld. "We want to be connected to the farms, connected to the agricultural community. We want to be able to tell people where the cows, chicken and fish we use come from."

Lastly, "NO" stands for never outsourced. Muhlenfeld says the company follows one simple rule when it comes to outsourcing: they don't make food for anybody else, and they don't allow anybody else to make food for them.

"We never outsource," he said. "This is part of the reason we are here today, because the conventional way for pet food companies to expand is to find pet food makers in the U.S. that have excess capacity. They would love to make our foods for us. But that wouldn't fit our mission, and that's the reason we're building. If we want to grow, we have to build our own kitchens, buy our own ingredients, and make our own food."



Champion's new pet food kitchen will represent an \$85 million investment in Auburn, Ky. and will add 147 new jobs to the community. State and local officials are celebrating these numbers, but are even more excited about the new agricultural opportunities Champion's presence will bring.

"In Canada, when we want an ingredient that doesn't exist, we get people to grow it for us," said Muhlenfeld. "We have people ranching wild boar for us. That's an animal that's a perfect fit with our mandate, so we go to the agricultural community and we partner, and we feel this is a phenomenal place to do that."

"That spin-off effect is going to be huge for this whole area, especially for our farm community," said Kentucky Governor Steve Beshear. "We look forward to seeing this Kentucky-made product on the store shelves throughout the United States."

Governor Beshear is credited with helping attract Champion Petfoods to Kentucky after he visited the company on a trade mission to Canada two years ago.

"Under the governor's leadership and his genuine understanding of BAFRINO™, he's demonstrated the interest in getting to know us," said Frank Burdzy, president and CEO of Champion.

"It is a personal reason we are here, and it's because of the commitment on behalf of the governor and his team that reached out to us and made us feel welcome."

Champion Petfoods was founded some 30 years ago by Reinhard Muhlenfeld in Alberta, Canada with two employees: one who made the pet food and one who packaged it. At that time, the company only sold food to local farmers. Today, Champion Petfoods has over 250 employees in two locations in Canada, and sells food in 70 countries across the globe.

The company has been recognized with top honors for its ACANA™ and Orijen™ pet food brands in nearly every major pet industry awards program.

The Kentucky Kitchen will make both brands, but will differ in taste from Canadian-made foods due to the use of fresh regional ingredients produced in Kentucky. This kitchen will supply the company's pet food to the U.S. market, while its Canada locations will focus on supplying Canadian, European and Asian markets.

"Our new kitchens will be the most advanced pet food kitchens anywhere in the world, custom designed and fitted for handling multiple authentically fresh and local ingredients," said Muhlenfeld. "We're destined for success. There is no question in our minds that we have picked the right place, and we're looking forward to a long-standing relationship."

Kentucky Governor Steve Beshear (far right) welcomed Champion Petfoods during a groundbreaking ceremony at the company's new U.S. site. Champion's chief brand officer, Peter Muhlenfeld (left), and president & CEO Frank Burdzy (middle) also addressed the crowd.



FOR THE LOVE OF PETS

Natural Pet Foods Fueling Rapid Growth in Pet Products Industry

There is little doubt Americans love their pets. In fact, no other country in the world spends as much money on nourishing, pampering and caring for their pets. According to the American Pet Products Association (APPA), spending in the pet industry grew by 4.5 percent in 2013 to more than \$55.7 billion, and there is no sign of this growth slowing down. In fact, APPA estimates that overall spending in 2014 will top \$58.51 billion—a 4.9 percent increase over 2013.

The APPA is attributing this growth to a variety of factors, including new products and investors in pet-oriented companies, and substantial increases in consumer spending on pet services, veterinary care, health and wellness products and, of course, pet foods.

The food category is expected to reach an all-time high in 2014 with \$22.62 billion in estimated sales. This category remains the highest spending segment of the pet industry as pet food trends continue to follow human food and diet trends. According to the Institute of Food Technologists, 79 percent of pet owners believe the quality of their pets' food is as important as their own. Fad diets for humans are also impacting what foods pet owners feed their pets, like the Paleo Diet. Some researchers believe this diet has influenced a new sector of “ancestral” pet foods reminiscent of earlier dog and cat diets.

Research also suggests that pet owners view the diets of their dogs and cats as superior to their own. The 2014 Wellness Pet Parent Survey revealed that eight in ten U.S. dog and/or cat owners believe their pets always or sometimes eat healthier foods than they do. Supporting this belief, some 82 percent of pet owners who took the survey said they look for special features when selecting pet food—the most popular being natural ingredients (59%), followed by digestive benefits (42%) and no artificial colors, flavors or preservatives (40%).



Bob Vetere

“Both food and veterinary care are strongly influenced by consumers’ growing interest in improved healthcare for their pets,” said Bob Vetere, president and CEO of APPA. “Health- and wellness-related themes represent the most powerful trends across

all segments of the industry and will continue to do so again this year.”

According to GfK, a research company that monitors trends in pet specialty products and foods, one of the major driving forces in the growth of the pet food industry is increasing sales in natural pet foods. GfK estimates that consumers spent some \$4.6 billion on natural foods last year, an 11.7 percent increase year-over-year. Natural products for dogs outsold non-natural products in the dry food, wet food and treats categories. Two-thirds of dog food sales in 2013 were in the natural category, as well as 41 percent of cat food sales.

As pet owners become increasingly aware of the natural diets of dogs and cats, the demand for grain-free and limited-ingredient pet food is booming. Last year, sales in grain-free pet foods grew by an impressive 32.4 percent, while limited-ingredient food grew by some 22.8 percent.

“We see the growth of grain-free foods—and natural pet products generally—as part of a larger trend toward humanization of pets,” said Maria Lange, senior product manager of GfK’s Retail Sales Tracking team. “Consumers are clearly comfortable splurging on pets they see as valued family members, not just everyday animals.”

Vetere agrees, but also attributes growth in the pet food industry to the recovering U.S. economy.

“People are pampering their pets more than ever, and manufacturers and businesses are offering new products, services and opportunities to meet their needs and wants, from innovative and interactive toys, to dog walking, doggy daycare and pet-friendly hotels, restaurants and airlines.”

“We see the growth of grain-free—and natural pet products generally—as part of a larger trend toward humanization of pets.”

-Maria Lange

\$4.6 Billion

Americans spent \$4.6 billion on natural foods last year, an 11.7% increase from the previous year.



THE NEW FACE OF MANUFACTURING

A Q&A WITH CHAMPION PETFOODS’ ISSAC AJANI

Q Why did you choose a job/career in food production?

A As a past restaurant owner, I was looking to open another business, but during the search, I stopped and applied for a job with Champion. Although the manager was reluctant to hire me at first because he felt that I was overqualified, he called me the next day and said, ‘Let’s give it a shot.’ I liked it right away. That night, the manager called me and asked if I would be a shift leader. I said yes, and haven’t looked back.

Q What is the most rewarding aspect of your job and working for Champion Petfoods?

A Commitment to quality. I walk around the food line to ensure everything looks perfect before the food gets packaged. I take a lot of pride in paying attention to detail. Also the company has always treated me like gold.

Q Tell us about your position with Champion Petfoods—what’s your official title and basic responsibilities.

A I’m the packaging and freeze dry supervisor. I’m passionate about packaging. Before any package goes out the door, it needs to be perfect. I take a lot of pride that any food that leaves our kitchen needs to meet the highest specifications. I’m very proud of our work, and I believe you do it right or you don’t do it at all.

Q What’s your best advice for those seeking jobs in food production?

A You need to study the area and make sure you have a passion for the sector. You need to love what you do. In 14 years, I’ve taken only three sick days. I could be doing anything, but I come to work because I truly enjoy it.

Q What would you say to someone in high school today to recruit them to a food production career?

A I’d say start to look at the quality of the company. Where did it start? Where is it going? How did it get there? Then I’d say study how the cooking process works. If you put your passion into it, you too can have your own commercial kitchen someday. Food production is a great place to learn, and the sky is the limit.

GRAY... WE'RE BUILDING



Gray was selected by Canada-based Champion Petfoods to build its first specialty pet food kitchen in the U.S.

The 350,000 s.f. facility will include a state-of-the-art kitchen designed to meet food safety standards for human foods for the prevention of foodborne illness. The facility will also include a distribution center and office space to support the kitchen operations.

Champion's Kentucky Kitchen will sit atop an 84-acre site in Auburn, Ky.—30 acres of which are devoted to kitchen operations with the remaining property to stay primarily undisturbed, with walking paths and pet exercise spaces.

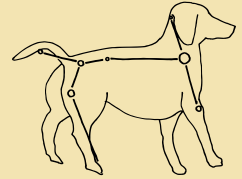
Champion's ACANA™ and Orijen™ pet food brands will be made at the Kentucky Kitchen, which will supply pet food solely to the U.S. market. The facility is scheduled to become operational in January, 2016.



CHAMPION PETFOODS
Auburn, Ky.

THE DOGSTAR

Inspiration from the connection of earth and sky, through the constellations Canis Major, the Great Dog, and its most notable star, Sirius, provided an inspiration for our kitchen and site layout.



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