

Dog days: As demand for breeders decreases, many operators will likely exit the industry

## IBISWorld Industry Report OD4643 Dog & Pet Breeders in the US

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### 2 About this Industry

|   |                      |       |
|---|----------------------|-------|
| 2 | Industry Definition  | ..... |
| 2 | Main Activities      | ..... |
| 2 | Similar Industries   | ..... |
| 2 | Additional Resources | ..... |

### 3 Industry at a Glance

#### 4 Industry Performance

|    |                      |       |
|----|----------------------|-------|
| 4  | Executive Summary    | ..... |
| 4  | Key External Drivers | ..... |
| 6  | Current Performance  | ..... |
| 8  | Industry Outlook     | ..... |
| 10 | Industry Life Cycle  | ..... |

#### 12 Products and Markets

|    |                       |       |
|----|-----------------------|-------|
| 12 | Supply Chain          | ..... |
| 12 | Products and Services | ..... |
| 13 | Demand Determinants   | ..... |
| 14 | Major Markets         | ..... |

|    |                     |       |
|----|---------------------|-------|
| 15 | International Trade | ..... |
| 16 | Business Locations  | ..... |

#### 18 Competitive Landscape

|    |                            |       |
|----|----------------------------|-------|
| 18 | Market Share Concentration | ..... |
| 18 | Key Success Factors        | ..... |
| 18 | Cost Structure Benchmarks  | ..... |
| 20 | Basis of Competition       | ..... |
| 20 | Barriers to Entry          | ..... |
| 20 | Industry Globalization     | ..... |

#### 21 Major Companies

#### 22 Operating Conditions

|    |                        |       |
|----|------------------------|-------|
| 22 | Capital Intensity      | ..... |
| 23 | Technology and Systems | ..... |
| 23 | Revenue Volatility     | ..... |
| 23 | Regulation and Policy  | ..... |
| 24 | Industry Assistance    | ..... |

#### 25 Key Statistics

|    |               |       |
|----|---------------|-------|
| 25 | Industry Data | ..... |
| 25 | Annual Change | ..... |
| 25 | Key Ratios    | ..... |

#### 26 Jargon & Glossary

# About this Industry

## Industry Definition

This industry breeds domestic pets, mainly dogs and cats, for revenue. Livestock breeders are excluded from this industry.

## Main Activities

### The primary activities of this industry are

Breeding dogs

Breeding cats

Breeding other nonfarm animals

### The major products and services in this industry are

Bird breeders

Cat breeders

Dog breeders

Other breeders

## Similar Industries

### 11292 Horse & Other Equine Production in the US

This industry also partakes in breeding animals.

### 45391 Pet Stores in the US

Pet stores used to sell pets from breeders, but now many work with animal rescue shelters.

### 54194 Veterinary Services in the US

Dog and pet breeders need to provide veterinary care for their animals.

### 81291 Pet Grooming & Boarding in the US

This industry includes animal shelters and pet adoption organizations.

## Additional Resources

### For additional information on this industry

[akc.org](http://akc.org)

American Kennel Club

[cfa.org](http://cfa.org)

Cat Fanciers' Association

[www.census.gov](http://www.census.gov)

US Census Bureau

[westminsterkennelclub.org](http://westminsterkennelclub.org)

Westminster Kennel Club

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# Industry at a Glance

Dog & Pet Breeders in 2019

## Key Statistics Snapshot



### Market Share

There are no major players in this industry

p. 21

Revenue vs. employment growth



Number of pets (cats and dogs)



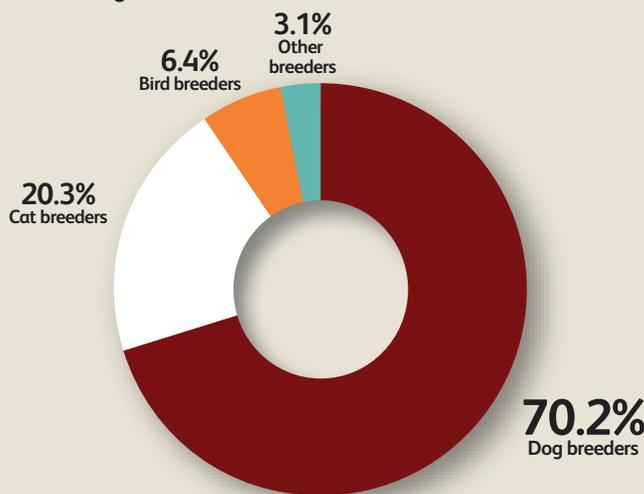
SOURCE: WWW.IBISWORLD.COM

### Key External Drivers

- Number of pets (cats and dogs)
- Demand from pet stores
- Demand from animal rescue shelters
- Demand from veterinary services

p. 4

Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

## Industry Structure

|                     |         |                        |        |
|---------------------|---------|------------------------|--------|
| Life Cycle Stage    | Decline | Regulation Level       | Medium |
| Revenue Volatility  | Medium  | Technology Change      | Low    |
| Capital Intensity   | Medium  | Barriers to Entry      | Low    |
| Industry Assistance | Medium  | Industry Globalization | Medium |
| Concentration Level | Low     | Competition Level      | Medium |

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 25

# Industry Performance

Executive Summary | Key External Drivers | Current Performance  
Industry Outlook | Life Cycle Stage

## Executive Summary

Over the five years to 2019, increases in both competition and public disapproval have threatened Dog and Pet Breeders industry. This industry includes a wide variety of operations, ranging from small independent home breeders to large USDA-certified breeding facilities. However, the industry also includes unlicensed puppy mills, which often use inhumane practices to reduce costs and maximize profit. Recent attention to these operations has hurt the overall industry's reputation. In 2017, the "Adopt, Don't

direct competitor, when demand for animal rescue shelters rises, demand for purebred pets declines. Consequently, in 2019, industry revenue is expected to fall 2.4%.

As demand for breeders decreases, many operators are expected to exit the industry. Additionally, increased attention and regulation surrounding puppy mills will likely force some unlicensed facilities out of the industry. Over the five years to 2019, the number of industry establishments is expected to fall at an annualized rate of 1.7%.

However, some medium-sized breeders will likely seek USDA certification as a means of improving their reputation and gaining legitimacy. This will enable these breeders to raise their profit margins while maintaining high standards.

While certified facilities and breeders with humane conditions are likely to work to improve the industry's reputation, the industry is still expected to struggle over the five years to 2024. Demand for animal rescue shelters is projected to continue rising as campaigns to protect animal welfare continue, hindering this industry's growth potential. As a result, over the five years to 2024, industry revenue is projected to fall at an annualized rate of 1.5% to \$1.9 billion.

**Demand for animal rescue shelters is projected to continue rising, hindering this industry's growth potential**

Shop" campaign emphasized the ethical benefits of getting pets from shelters and adoption groups rather than from pet stores. This campaign has led many pet stores to no longer work with breeders, and instead host adoption events with local shelters. As a result, in 2017, revenue fell 12.2%. Over the five years to 2019, industry revenue is expected to decline at an annualized rate of 3.2% to \$2.0 billion. Meanwhile, in 2019, demand for animal rescue shelters is expected to grow. As a

## Key External Drivers

### Number of pets (cats and dogs)

The number of pets measures the number of domestic cats and dogs kept in homes. While the number of pets shows that demand for dogs and cats has risen, this trend has also caused growing concern for, supporting growth in demand for animal shelters, a substitute for industry-raised purebred pets. In 2019, the number of pets is expected to grow, posing a potential threat to the industry.

### Demand from pet stores

Until recently, most pet stores sold dogs and cats from breeders.

However, over the past decade, many pet stores have instead chosen to work with rescue shelters and animal adoption groups. As a result, when pet store revenue rises, demand for industry services falls. In 2019, demand from pet stores is expected to rise.

### Demand from animal rescue shelters

Animal rescue shelters compete with dog and pet breeders because shelters offer consumers another option for finding a pet. Additionally, rescue shelters often work with nonprofits and industry associations

# Industry Performance

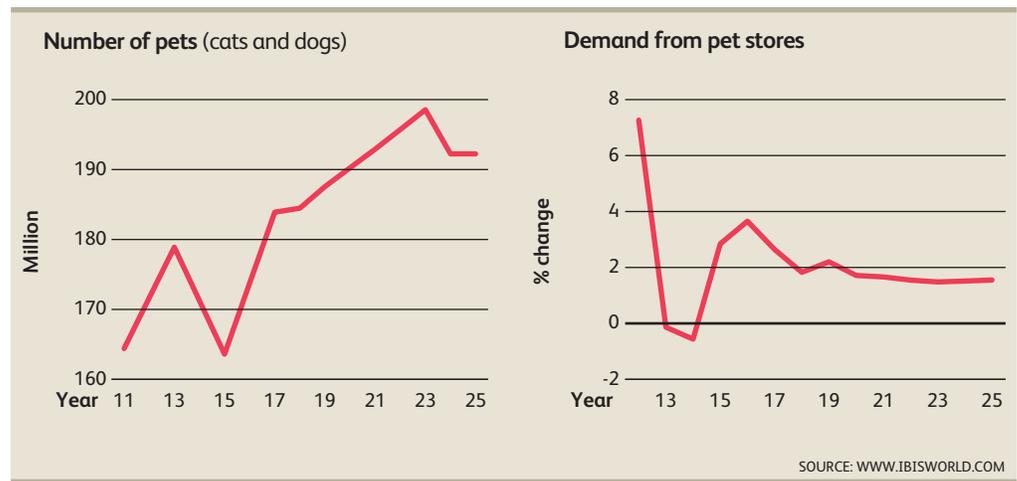
## Key External Drivers continued

to promote the ethical benefits of animal adoption. In 2019, demand for rescue shelters is expected to rise.

### Demand from veterinary services

Veterinary services are an important part of the Dog and Pet Breeders industry because industry services rely heavily on

the health and welfare of animals. Additionally, pet owners with purebred pets are more likely to invest in veterinary care. When demand for veterinary services increases, so does industry revenue. In 2019, demand from veterinary services is expected to increase, presenting a potential opportunity for the industry.



# Industry Performance

## Current Performance

The Dog and Pet Breeders industry is made up of facilities that produce purebred dogs, cats, birds and other nonfarm animals. Operators in this industry vary from independent home-breeders to large USDA-certified breeding facilities. However, the industry also includes unlicensed puppy mills, which are breeding facilities that use inhumane practices to reduce costs and maximize profit. Over the five years to 2019, pet owners and people looking for pets have become more aware of puppy mills and inhumane breeding practices. This has hurt the industry as a whole, including companies that maintain high animal welfare standards. As a result, over the five years to 2019, industry



revenue is expected to decline at an annualized rate of 3.2% to \$2.0 billion.

## Reputation woes

Reputation has been the biggest threat to the Dog and Pet Breeders industry over the past five years. While there has historically been concern about animal welfare, awareness of inhumane breeding practices has grown rapidly over the past five years. In 2017, Last Chance for Animals, a California-based animal welfare organization, launched the “Adopt, Don’t Shop” campaign. The campaign encourages consumers to get cats and dogs at animal shelters and through adoption groups rather than at pet stores. While large pet-supply store chains like PetSmart Inc. and Petco Animal Supplies Inc. have exclusively worked with local adoption groups and shelters, many small pet stores work with puppy mills. The campaign has driven many consumers away from pet stores that sell dogs and cats, and toward animal rescue shelters. Additionally, many pet stores that work with breeders have either shut down or stopped selling dogs and cats altogether. As a result, in 2017, industry revenue fell 12.2% as demand for breeders fell significantly.

The “Adopt, Don’t Shop” campaign has hurt the industry by strengthening its largest competitor, the Animal Rescue

Shelters industry (See IBISWorld report OD5794). Rescue shelters provide temporary homes to stray and homeless animals while looking for permanent homes. These shelters typically provide spaying and neutering services as well as basic veterinary care to ensure the animals are healthy. While the animals in shelters are not usually purebred, they often come from unsafe or unhealthy conditions. Many consumers look for pets at shelters because they see this as more sustainable and ethical than going to a breeder. Additionally, shelters often only charge a small adoption fee, between \$100.00 and \$300.00, while breeders can charge hundreds or thousands of dollars for purebred pets.

Over the past five years, demand for animal rescue shelters has been steadily growing. This poses a threat to breeders because while certain markets will still need purebred pets, individual consumers looking for personal pets are increasingly more likely to get pets from shelters. In 2019, demand for animal rescue shelters is expected to grow 2.9%. Meanwhile, in 2019, industry revenue is expected to fall 2.4%.

# Industry Performance

## Small breeders

As demand has declined over the past five years, the number of businesses operating in the Dog and Pet Breeders industry has also decreased. The industry is mainly made up of nonemployers with fewer than five breeding dogs. If a breeding facility has more than four breeding animals, or sells more than 25 dogs or cats a year, they must get a certification from the USDA. For this reason, the majority of industry operators are not licensed because they are small businesses that likely operate out of their own homes. However, over the past five years, as demand for purebred dogs has declined, many would-be breeders have decided not to breed their dogs or cats and stay out of the industry. As a result, over the five years to 2019, the number of industry enterprises has declined at an annualized rate of 1.7% to 212,745 companies.

The growing concern about puppy mills has also contributed to the declining number of industry companies, as the USDA's Animal and Plant Health

## The majority of industry operators are not licensed

Investigative Services unit has worked to shut down puppy mills. Puppy mills have high profit margins, but as nonemployers, many count this profit as wages. Since these operations have been forced out of the industry, total industry labor costs have declined. Over the five years to 2019, total wages are expected to fall at an annualized rate of 7.6% to \$341.7 million. However, many industry breeders have fought against the industry's declining reputation by growing and seeking USDA certification. This certification can help ensure customers that they are working with a reputable breeder. As more breeders have become certified, they have been able to increase their sales and boost their profit margins. In 2019, profit is expected to account for 6.8% of industry revenue for an average company, up from 4.8% in 2014.

# Industry Performance

## Industry Outlook

While pet breeders are likely to continue trying to improve the reputation of the Dog and Pet Breeders industry over the five years to 2024, public concern about puppy mills is likely to continue driving consumers away from the industry. Over the next five years, animal welfare organizations and other nonprofits are likely to continue pushing the “Adopt, Don’t

Shop” campaign, which encourages consumers to get pets through adoption groups rather than from pet stores and breeders. This is expected to result in further growth in demand for animal rescue shelters, and falling revenue for industry operators. Over the five years to 2024, industry revenue is projected to decline at an annualized rate of 1.5% to \$1.9 billion.

## Leaving the industry

As demand continues to fall for industry services, industry companies are likely to continue leaving the industry. Over the five years to 2024, the total number of industry enterprises is projected to fall at an annualized rate of 1.6% to 195,785 companies. This decline will include small home-breeders opting to leave the industry of their own accord, and puppy mills and other inhumane operations being forced out of the industry. This decline could help the industry further in the future, as inhumane operations leaving the industry will lead to a higher concentration of reputable breeders in the industry. When low-quality companies are forced out of the industry,

the overall quality of industry services will slowly improve.

However, as puppy mills continue to leave the industry, average profit margins will likely fall. While they use inhumane practices, puppy mills have high profit margins because they reduce costs wherever possible. Many puppy mills are nonemployers, so their profit is counted toward wages. As a result of these companies exiting the industry, over the five years to 2024, total wages are expected to decline at an annualized rate of 1.6% to \$315.7 million. Meanwhile, in 2024, profit is projected to account for 6.2% of revenue for an average industry company, down from 6.8% in 2019.

## Purebred markets

While demand for animal rescue shelters is expected to continue growing and threatening industry revenue, demand for breeders will continue to be strong among certain markets. For example, purebred dogs and cats will continue to be used for service jobs over the next five years, and police departments and other security operations typically use German Shepherds and Blood Hounds for drug sniffing, bomb sniffing and other searching purposes. Demand for mental health support animals is also on the rise, and certain breeds of both dogs and cats are needed for these jobs as they require certain behavioral traits. Meanwhile,

**Demand for breeders will continue to be strong among certain markets**

other uses for dogs are being discovered. For example, the USDA has a group of Beagles, known as the Beagle Brigade, that search for unreported agricultural products at US Customs.

Additionally, while overall demand for purebred dogs and cats is on the decline, certain breeds of dogs and cats are likely to continue to be popular. French Bulldogs, for example, have recently

# Industry Performance

## Purebred markets continued

become one of the five most popular dog breeds in the United States. French Bulldogs have become popular city dogs due to their small size and their limited need for exercise. However, while these dogs have become incredibly popular, they are rarely found in animal shelters. To get the distinct features of the breed, French Bulldogs must be purebred, and with high demand, they are less likely than other breeds to end up abandoned

or homeless. To get a French Bulldog, consumers most likely need to go to a breeder. This is also the case for other popular dog breeds like Corgis, Beagles and Pugs, and popular cat breeds like Siamese cats, Sphynx cats and Maine Coon cats. With demand for these breeds staying strong, reputable industry operators will likely be able to maintain profitability through specialization.

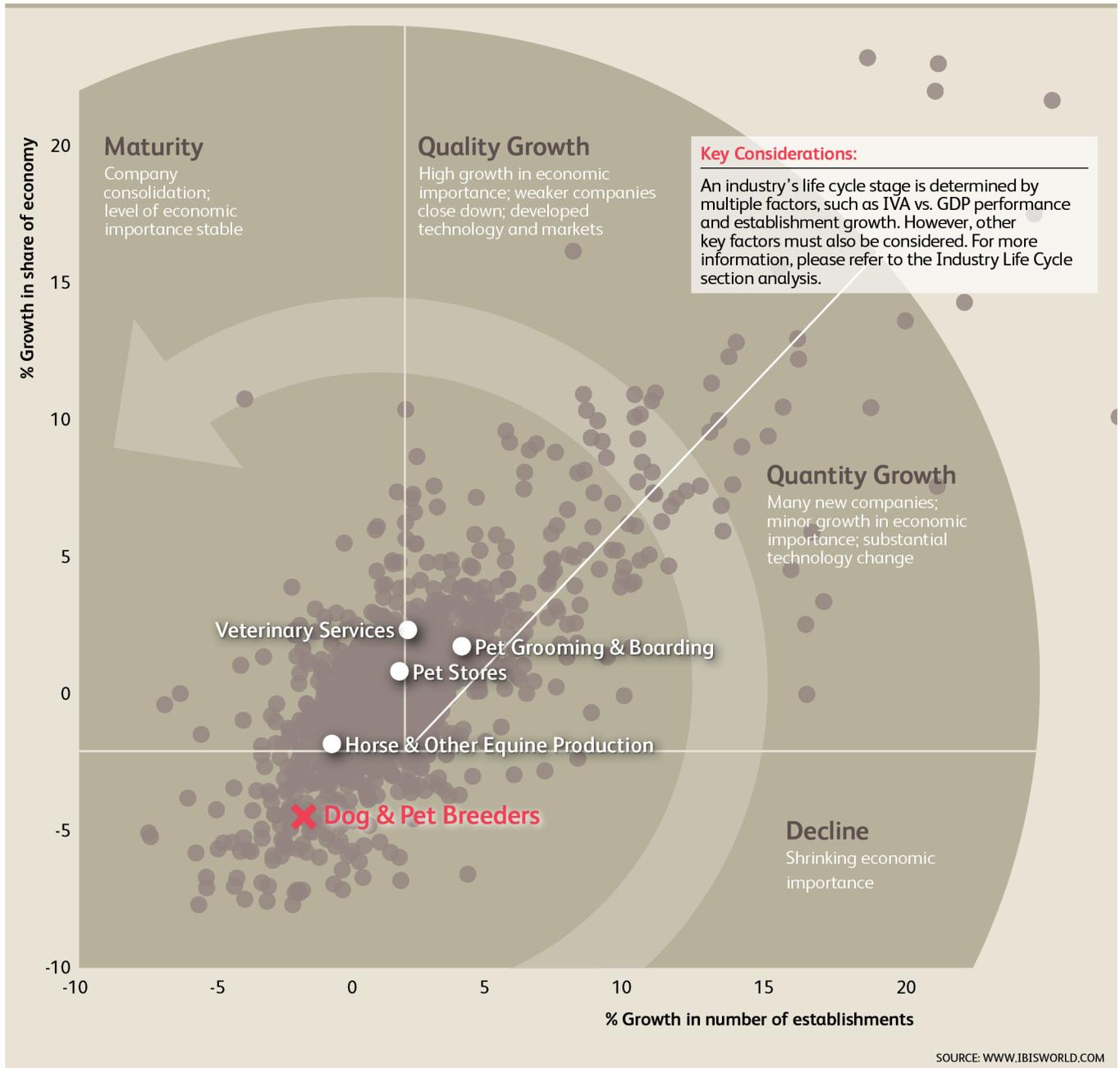
# Industry Performance

## Life Cycle Stage

IVA is expected to decline over the 10 years to 2024

Companies are expected to leave the industry during the 10-year period

The industry has experienced little-to-no innovation



# Industry Performance

## Industry Life Cycle

This industry is in **Decline**

The Dog and Pet Breeders industry is currently in the declining stage of its life cycle. The industry's contribution to the overall economy, measure as industry value added (IVA), is projected to decline at an annualized rate of 2.5% over the 10 years to 2024. Meanwhile, during the same period, GDP is expected to grow at an annualized rate of 2.1%. If an industry's IVA is declining while GDP is rising, it is typically assumed to be in a state of decline.

Further placing the industry in its decline stage is the exit of companies from the industry. Over the past five years, as profit and demand have fallen, many small pet breeders have opted to

leave the industry. Additionally, the USDA has recently stepped up its efforts to shut down breeding facilities that use inhumane practices. As a result, over the 10 years to 2024, the number of industry enterprises is projected to decline at an annualized rate of 1.7%. Additionally, the industry has seen little-to-no innovation over the past five years, as the technology used in pet breeding has stayed mostly the same. Given the stigma already placed on breeders, most industry operators are not likely to experiment with new technology unless it is certain to improve animal welfare. A lack of innovation typically comes with a decline stage.

# Products & Markets

Supply Chain | Products and Services | Demand Determinants  
 Major Markets | International Trade | Business Locations

## Supply Chain

### KEY BUYING INDUSTRIES

- 45391 Pet Stores in the US

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- 92 Public Administration in the US

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- 56171 Pest Control in the US

### KEY SELLING INDUSTRIES

- 45391 Pet Stores in the US

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- 54194 Veterinary Services in the US

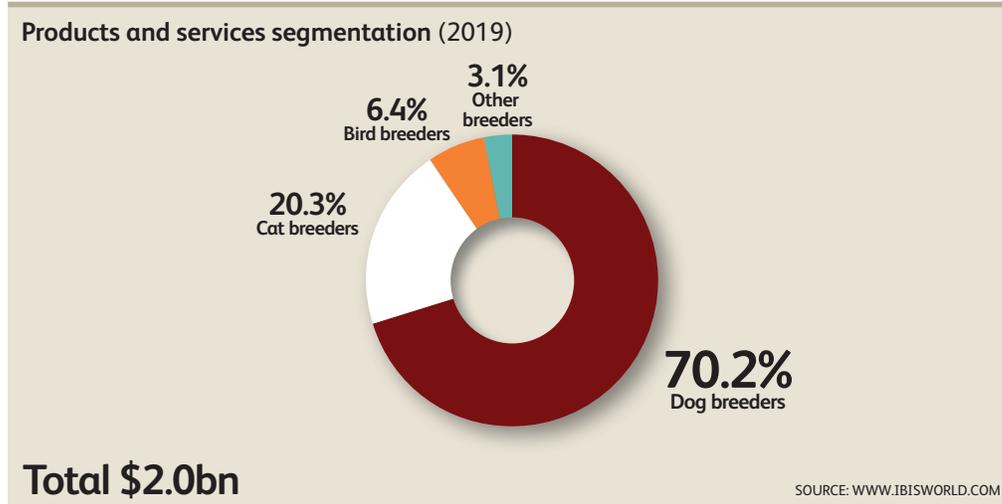
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- 31111 Animal Food Production in the US

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- 33911a Medical Instrument & Supply Manufacturing in the US

## Products and Services



### Dog breeders

Dog breeding represents the largest portion of the Dog and Pet Breeders industry. Dogs are the most type of pet in the United States, with the American Pet Products Association (APPA) estimating that 63.4 million households have at least one dog in 2019. While many consumers have begun to look toward shelters and pet adoption organizations for dogs, there is still a substantial market for

purebred dogs. Breeders work with kennel clubs to supply dogs for dog shows. Additionally, some breeds of dogs like German Shepard’s and Blood Hounds are used for specific jobs with police departments and security companies. Meanwhile, some consumers simply prefer certain breeds of dogs and are willing to pay a higher price for that breed. In 2019, dogs are expected to account for 70.2% of industry revenue.

## Products and Services continued

### Cat breeders

While not as popular as dogs, cats account for the second largest portion of industry revenue. According to the APPA, in 2019, 42.7 million households have at least one cat. However, cat breeders are not as common as dog breeders, because there are fewer recognized breeds of cats as there are of dogs. Additionally, feral cats are more likely to survive and breed in the wild, making cats more common in shelters than dogs. Cats are also not used for as many jobs as dogs are, and cat shows do not have the same popularity as dog shows. However, some consumers are willing to pay for purebred, or specialty cats from breeders. In 2019, cats are expected to account for 20.3% of industry revenue.

### Bird breeders

In 2019, bird breeding is expected to account for 6.4% of industry revenue.

Unlike cats and dogs, birds are not typically found in animal shelters. If a consumer is buying a bird from a pet store, it was most likely supplied by a breeder. Birds can vary in price based on the species of bird. Parakeets and other small birds typically do not carry a high price tag, but exotic birds like parrots and McCaws are more likely to have a high price. In 2019, birds are expected to account for 6.4% of industry revenue.

### Other breeders

Other pets do not account for a significant portion of industry revenue. However, fish, reptiles, snakes and rodents sold in pet stores are almost exclusively supplied by breeders. Revenue from these animals has grown over the past five years as demand for dogs and cats from breeders has declined. In 2019, other animals are expected to account for 3.1% of industry revenue.

## Demand Determinants

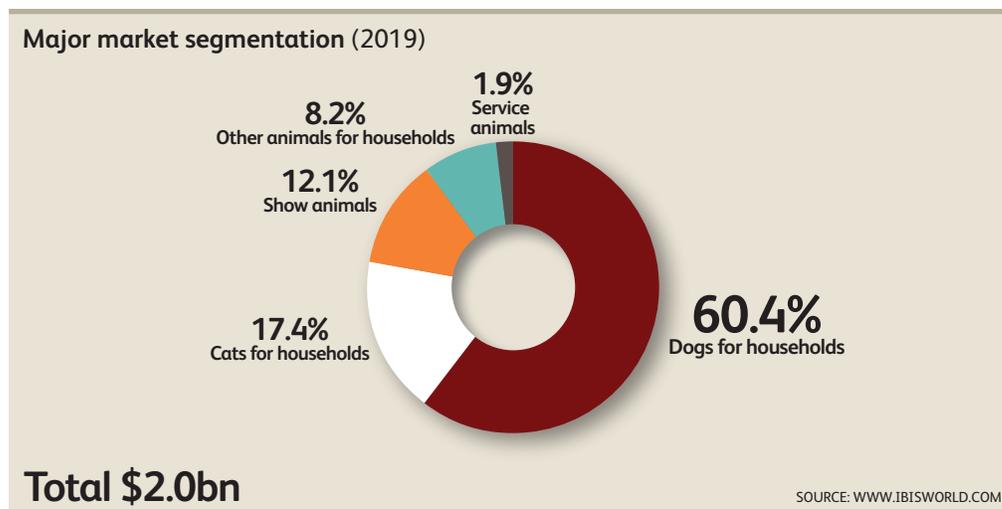
Demand for the Dog and Pet Breeders industry is largely based on demand for purebred dogs and cats. Demand for purebred pets is mainly based on consumer tastes and preferences. The most popular dog breeds can shift from year-to-year. According to the American Kennel Club, in 2018, the five most popular dog breeds were Labrador Retriever, German Shepherd, Golden Retriever, French Bulldog and Bulldog. When breed popularity changes, breeders that specialize in specific breeds can see shifts in demand.

Additionally, demand for purebred dogs is largely affected by public perception of animal breeding. Recently, many non-profit animal welfare

organizations have embraced the “Adopt, Don’t Shop” campaign, which urges consumers to get pets from shelters rather than from pet stores that may work with breeders. This campaign has drawn attention to the use of puppy mills, which use inhumane breeding practices to reduce costs. While there are many USDA-certified breeding facilities and independent breeders that follow safe practices, puppy mills have damaged the reputation of the industry. For this reason, over the past five years, demand for industry services has declined significantly. To fight this trend, breeders must work to rebuild the industry’s reputation and emphasize their own safe and humane practices.

# Products & Markets

## Major Markets



### Pets for households

The majority of pets bred by the Dog and Pet Breeders industry are sold directly to individual households. Dogs account for the majority of this group, because cats are more likely to be found at shelters. Cats are more likely to survive and breed in the wild, so shelters are more likely to have cats than dogs. As a result, dogs sold to individual households are estimated to account for 60.4% of industry revenue, while cats are only expected to account for 17.4% of revenue. This segment has declined over the past five years as demand for animal rescue shelters has grown. Growing awareness of puppy mills and inhumane breeding practices has made individuals worried about going to a breeder, even though there are many reputable breeders. However, demand for this segment has stayed strong as many people want specific breeds of dogs and cats that can only be found from breeders. For example, to get the distinct facial features of French Bulldogs and Pugs, consumers usually need to go directly to a breeder.

### Show animals

Many industry customers purchase purebred dogs to enter them in dog

shows. Additionally, any breeders enter their dogs and cats into shows and then sell their offspring for a higher price after winning awards. Dog and cat shows are put on by industry associations like the American Kennel Club and the Cat Fanciers' Association. Dog shows are the most popular shows, because dog shows recognize more breeds, and are televised more often than cat shows. Every Thanksgiving, NBC airs the Westminster Kennel Club's national dog show. In 2019, show animals are expected to account for 12.1% of industry revenue.

### Service animals

Some breeders produce dogs and cats for specific jobs. For example, police departments typically use German Shepherds and Bloodhounds for their strong sense of smell and their hunting and fighting skills. Meanwhile, the USDA uses beagles to search for unreported agricultural products in luggage at US Customs. Additionally, Golden Retrievers and other purebred dogs are often trained to help people with disabilities. Service dogs usually need to be purebred to ensure they have necessary behavioral traits. In 2019, service animals are expected to account for 1.9% of industry revenue.

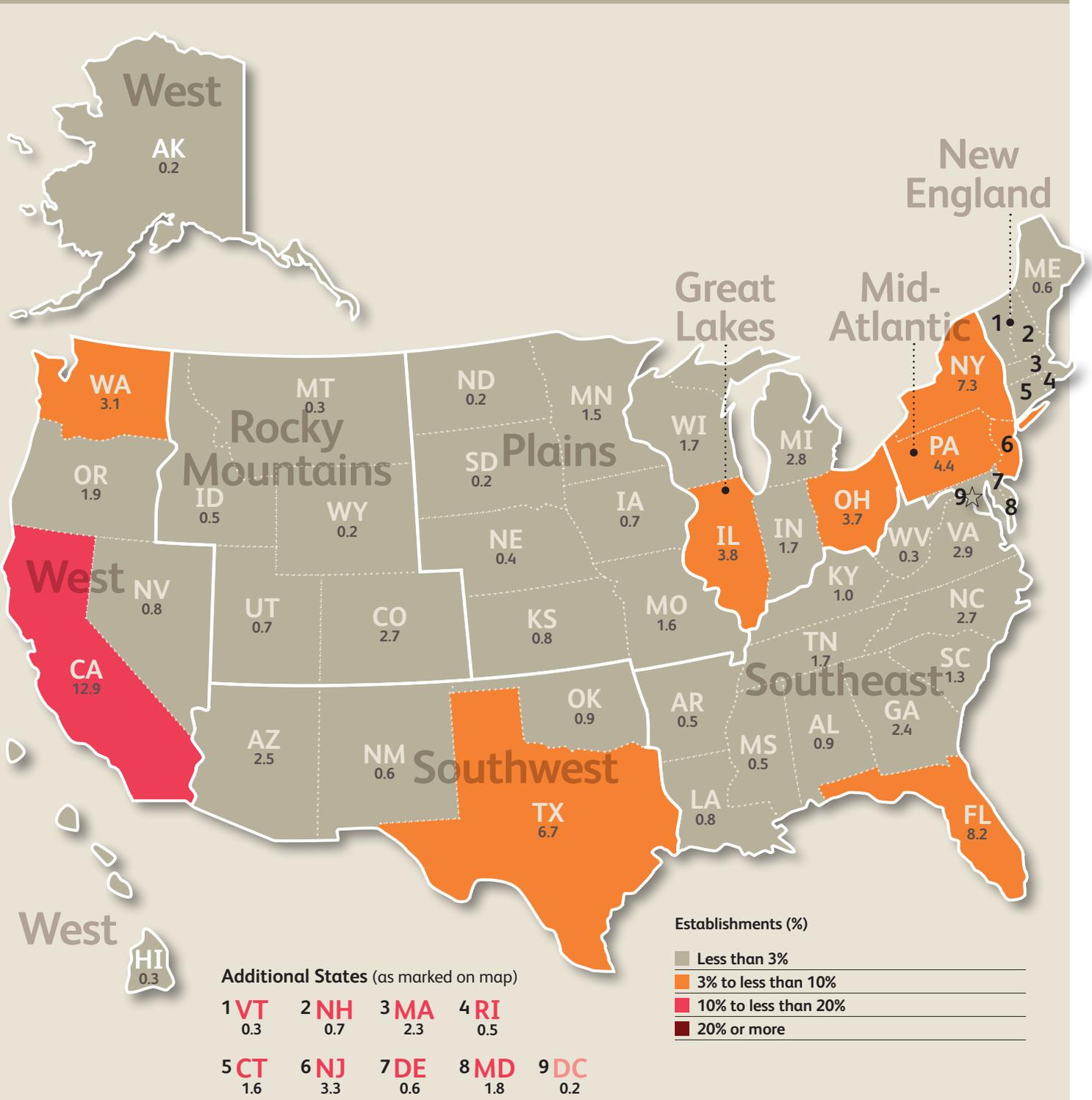
# Products & Markets

## International Trade

The Dog and Pet Breeders industry does not participate in international trade. While dogs and other pets are occasionally purchased overseas and brought back to the United States, this accounts for a negligible amount of revenue.

# Products & Markets

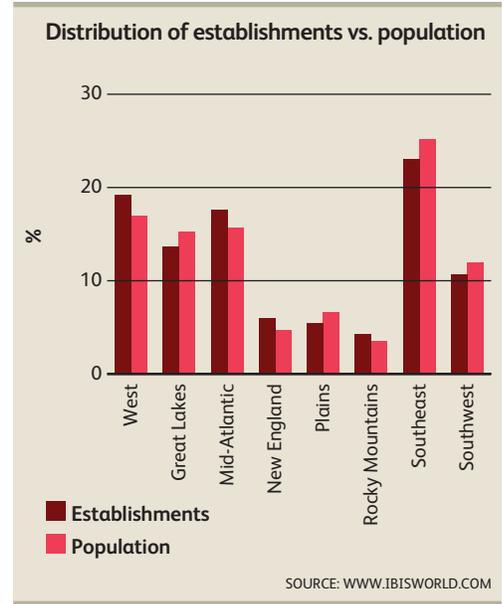
## Business Locations 2019



# Products & Markets

## Business Locations

The distribution of the Dog and Pet Breeders industry is closely tied to population. The most highly populated regions of the country are also the most highly concentrated regions in the industry. For example, the Southeast, which accounts for 25.7% of the population, also accounts for 23.0% of industry establishments. Demand for pets is strong throughout the country, regardless of geographic area, so industry breeders can operate nearly anywhere. California is the most concentrated state in the industry with 12.9% of industry establishments and 12.1% of the population. Florida accounts for an estimated 8.2% of establishments, despite only having 6.4% of the population. This is likely because the state has a large retired population, and animal breeding is



often something that pet owners consider in retirement.

# Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks  
Basis of Competition | Barriers to Entry | Industry Globalization

## Market Share Concentration

Level  
Concentration in  
this industry is **Low**

The Dog and Pet Breeders industry has a low level of market share concentration. The industry is mainly made up of small independent operators that account for less than 1.0% of industry revenue. Nearly 99.0% of companies in the industry are considered nonemployers. The companies in the industry with the greatest market shares are typically

USDA certified breeding facilities that work with larger breeding clubs like the American Kennel Club (AKC). Large organizations like the AKC, are not considered industry-relevant companies, because they do not directly participate in the industry, and only provide resources to existing companies.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

### Having a good reputation

Industry operators need to ensure that they are not associated with puppy mills

### Proximity to key markets

Breeders can receive higher prices when litters are younger, so they must have access to markets early

### Having a loyal customer base

Larger breeders benefit from having a consistent customer base like a breeding club

### Provision of appropriate facilities

The most successful industry companies are USDA certified facilities

## Cost Structure Benchmarks

The Dog and Pet Breeders industry has volatile cost structure benchmarks. Industry costs can vary significantly based on the size of industry operators. Large companies may have higher profit margins and depreciation costs, while small companies may have greater purchase costs.

### Wages

Industry labor costs can vary significantly among pet breeders. For nonemployers, labor costs are the same as profit margins, because these companies are individuals without employees. Nonemployers account for nearly 99.0% of industry establishments. In 2019, wages are expected to account for 17.1% of industry revenue. This is a moderate decrease from 21.6% of revenue in 2014.

### Purchases

Purchases represent a moderate cost for dog and pet breeders. This expense

includes the cost of pet food and other supplies. Depending on the size of the operation, this can also include the cost of medicine and fertility medications. In 2019, purchases are expected to account for 29.1% of industry revenue.

### Profit

The Dog and Pet Breeding industry has volatile profit, measured as earnings before interest and taxes. Industry profit is largely determined by the price of purebred pets and the level of industry regulation. Profit margins vary largely based on the size and practices of an individual company. For example, breeders that specialize in popular, purebred dogs for shows tend to charge higher prices and receive higher profit margins. Meanwhile, small breeders are less likely to charge high prices, because pet breeding may not be their only source of income. Additionally, puppy mills, which cut costs to generate higher profit

# Competitive Landscape

## Cost Structure Benchmarks continued

margins are often shut down for animal cruelty. When regulatory bodies shut down more puppy mills, average profit margins fall. In 2019, profit is expected to account for 6.8% of industry revenue.

### Depreciation

Depreciation is a significant cost for pet breeders, because this cost includes the price of breeding animals. This cost also includes equipment needed for breeding, including birthing crates, animal pens and kennels. In 2019, depreciation is expected to account for 4.7% of industry revenue.

### Marketing

In 2019, marketing is expected to account for 1.2% of revenue. This expense has grown as industry operators have worked to improve the industry's reputation.

### Rent

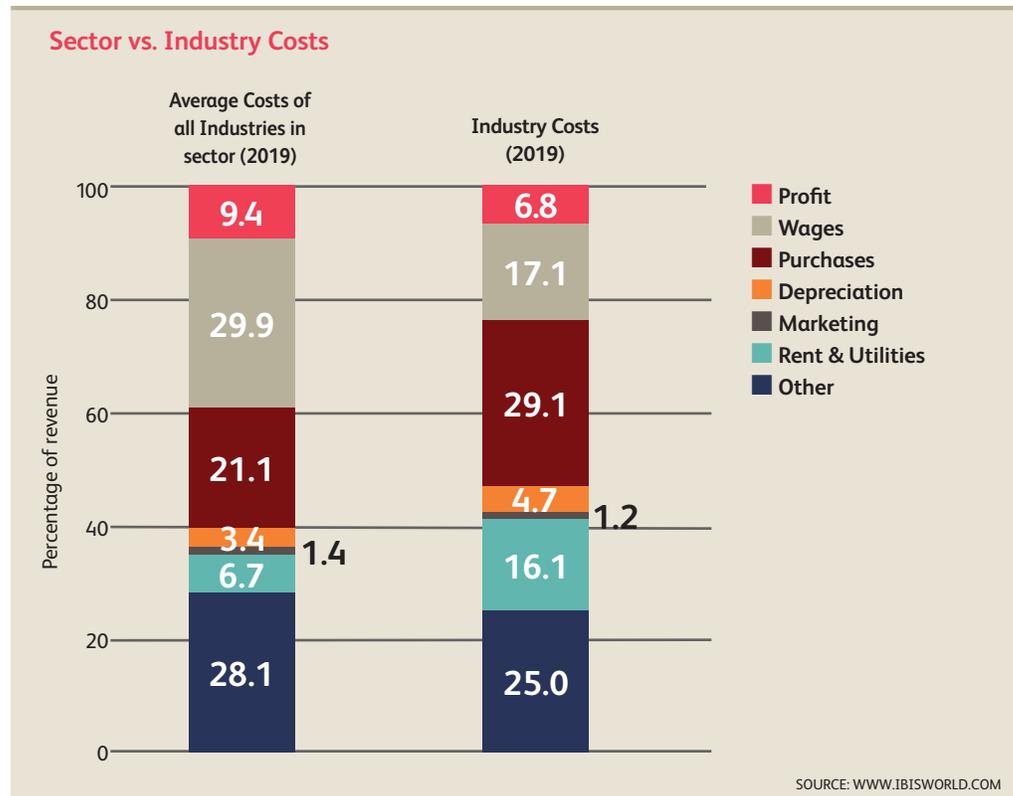
Rent is expected to account for 3.6% of industry revenue in 2019. This is a moderate expense for industry operators, because space is needed to ensure animal welfare.

### Utilities

Utilities represent a high cost for industry operators. This expense includes the cost of heating and lighting kennels and operating veterinary equipment used in the birthing process. In 2019, utilities are expected to account for 12.5% of industry revenue.

### Other

Other costs for the Dog and Pet Breeders industry are high and include veterinary care, legal fees, certifications and animal show costs.



# Competitive Landscape

## Basis of Competition

Level & Trend  
 Competition in this industry is **Medium** and the trend is **Steady**

Companies in the Dog and Pet Breeders industry compete mainly based on the breeds and pedigrees of the pets they breed. The American Kennel Club recognizes more than 200 different breeds of dogs, while the Cat Fanciers' Association recognizes 44 different cat breeds. Demand for certain breeds of dogs and cats changes with consumer preferences over time. Many breeders

focus on a few types of dogs or cats based on popularity, while some breeders specialize in one niche breed. To keep demand high, many breeders also work with associations that certify the pedigree of their animals. Customers that wish to enter their pets in competitions need to be able to verify that their animal is a purebred, so certification is crucial.

## Barriers to Entry

Level & Trend  
 Barriers to Entry in this industry are **Low** and **Increasing**

The Dog and Pet Breeders industry has low barriers to entry, given its minimal start-up costs and limited regulation. At the simplest level, a breeder can enter the industry by allowing their own pets to reproduce and selling the litter. However, sustainably entering the industry requires more investment in equipment and animals. To avoid animal cruelty, companies must maintain certain health and safety standards that can require moderate investment. Additionally, getting certified with breeders' associations and regulatory bodies requires both time and investment.

### Barriers to Entry checklist

|                       |         |
|-----------------------|---------|
| Competition           | Medium  |
| Concentration         | Low     |
| Life Cycle Stage      | Decline |
| Capital Intensity     | Medium  |
| Technology Change     | Low     |
| Regulation and Policy | Medium  |
| Industry Assistance   | Medium  |

SOURCE: WWW.IBISWORLD.COM

Therefore, while entering the industry is not difficult, finding a steady place in the industry can be costly and difficult.

## Industry Globalization

Level & Trend  
 Globalization in this industry is **Medium** and the trend is **Steady**

The Dog and Pet Breeders industry has a moderate level of globalization. While industry companies are nearly all US-owned and operated, the industry is impacted by global breeders' associations. For example,

the Kennel Club is one of the largest breeders' associations and is based in the United Kingdom. US kennel clubs have been largely influenced by the Kennel Club's practices and breed recognitions.

# Major Companies

There are no Major Players in this industry | Other Companies

## Other Companies

The Dog and Pet Breeders industry is almost entirely made up of small independent operators. However, many industry breeders work closely with breeders' associations like the American Kennel Club (AKC). The AKC is the largest breeders' association in the United States and is made up of small

kennel clubs throughout the country. These clubs set standards for industry breeders and organize dog shows. In 2019, the AKC is estimated to have more than 5,000 member clubs. However, the AKC does not generate industry-relevant revenue because it does not directly participate in pet breeding.

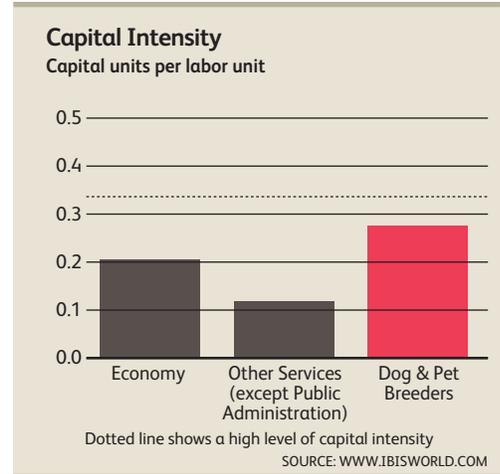
# Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility  
 Regulation & Policy | Industry Assistance

## Capital Intensity

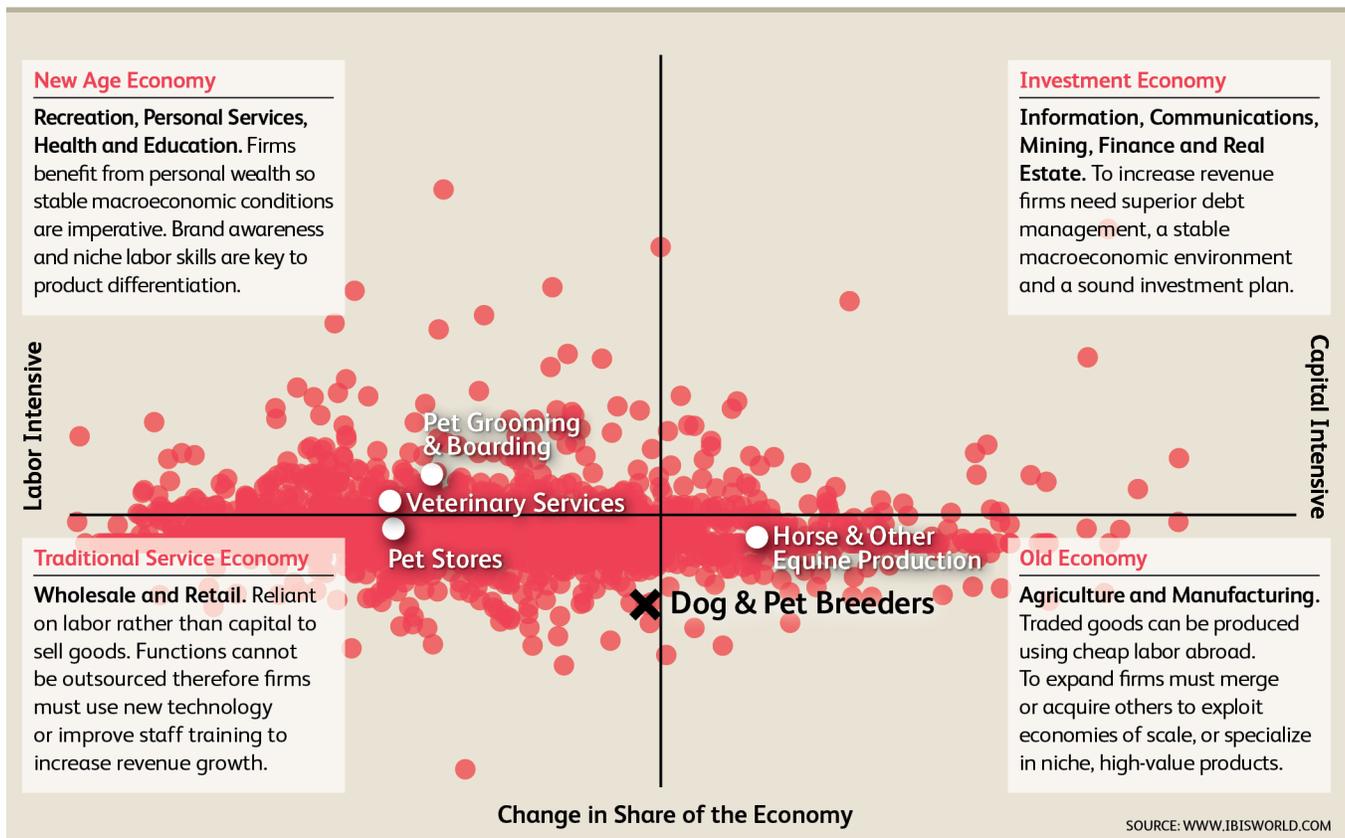
**Level**  
 The level of capital intensity is **Medium**

The Dog and Pet Breeders industry has a moderate-to-high level of capital intensity. While the industry has high labor costs, industry operators spend a significant portion of revenue on equipment and other capital. Most importantly, breeding animals are considered capital expenses, because industry operations cannot be done without animals to breed. Additionally, dogs and cats must rest between litters and can only breed for a limited number of years, so depreciation is high. As a result, in 2019, for every dollar spent on labor, the average industry operator is expected to spend \$0.28 on capital. The level of capital intensity has increased significantly over the past five years. However, this



increase has been due to a decline in wages rather than an increase in capital expenditure.

## Tools of the Trade: Growth Strategies for Success



# Operating Conditions

## Technology and Systems

**Level**  
The level of technology change is **Low**

Depending on the size of the operation, dog and pet breeding can be a very technical practice. While many small breeders may simply let nature take its course, larger operators typically use artificial insemination to better control when their animals breed. The most factors a breeder wants to control, the more they will need to invest in equipment. For example, breeders can determine the best time for an animal to reproduce by monitoring its temperature

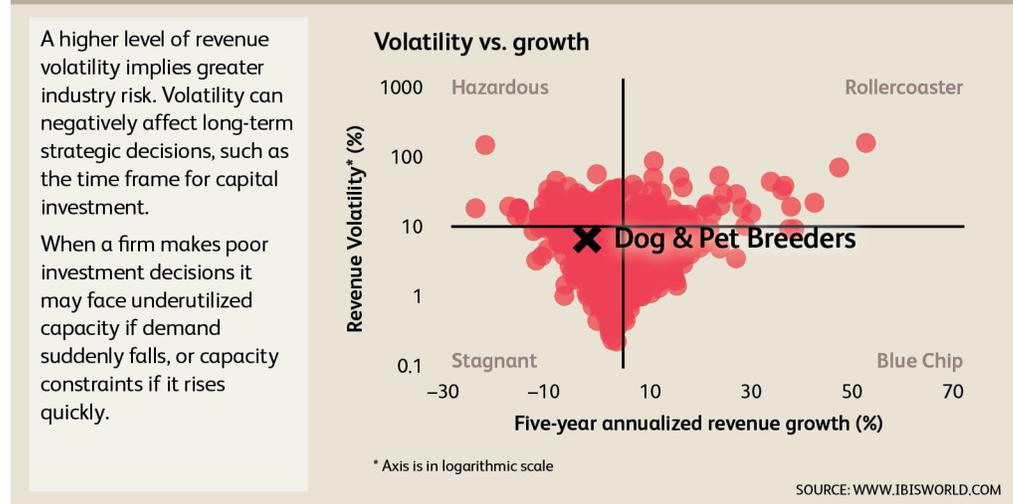
over an extended period. Additionally, regardless of the size of the operation, breeders will need a birthing box and weaning pen to ensure the animals are being kept safe. Operations can also invest in equipment for measuring the development of the litter after they have been born. Like all other aspects of the industry, there are different levels of technology used in monitoring litter health and growth.

## Revenue Volatility

**Level**  
The level of volatility is **Medium**

The Dog and Pet Breeders industry has been subject to a moderate level of revenue volatility over the past five years. Recent efforts to regulate the industry and fight against puppy mills have contributed to strong revenue declines. Additionally,

revenue is naturally volatile due to changes in demand and price for purebred dogs and cats. Specific breeds of dogs and cats become more and less popular every year. This can lead to significant shifts in prices and industry revenue.



## Regulation and Policy

**Level & Trend**  
The level of Regulation is **Medium** and the trend is **Increasing**

The Dog and Pet Breeders industry has faced a growing level of regulation as public concern about puppy mills has risen. Puppy mills are unlicensed breeding facilities that use inhumane practices to cut costs and boost profit. These establishments often force animals to have back-to-back litters without time to rest and recover. The United States

Department of Agriculture has tried to fight against these facilities through the Animal Welfare Act (AWA). The AWA sets standards for breeders, dealers and other industries that work closely with animals. The AWA is administered and enforced by the USDA's Animal and Plant Health Inspection Service (APHIS). The APHIS inspects breeding facilities to

# Operating Conditions

## Regulation and Policy continued

ensure that AWA standards are being met. These standards include, ensuring that breeding dogs have adequate food, lighting and heat, as well as access to proper veterinary care. The APHIS is also tasked with searching for unlicensed breeding facilities.

Facilities that participate in dog and pet breeding are required to obtain a Class A license from the APHIS. To

obtain a license, breeders must pay a fee and be subject to random unannounced inspections by the APHIS. However, small breeders may be exempt from these regulations. Breeders with four or fewer breeding females and dog breeders that sell fewer than 25 dogs per year are not required to obtain a license. A vast number of industry operators are not licensed for this reason.

## Industry Assistance

### Level & Trend

The level of Industry Assistance is **Medium** and the trend is **Steady**

The Dog and Pet Breeders industry is supported by several industry associations and breeders' clubs. While there is no national pet breeders' association that encompasses the entire industry, many states have pet breeders' associations. Additionally, there are organizations that cover specific types of pets, such as the

American Kennel Club and the Cat Fanciers' Association. These groups promote pet breeders and determine what dog and cat breeds to recognize. Industry operators that use safe and humane practices can also benefit from organizations like PupQuest, which help consumers find reputable dog breeders.

# Key Statistics

## Industry Data

|      | Revenue (\$m) | Industry Value Added (\$m) | Establishments | Enterprises | Employment | Exports | Imports | Wages (\$m) | Domestic Demand | Number of pets (Mil) |
|------|---------------|----------------------------|----------------|-------------|------------|---------|---------|-------------|-----------------|----------------------|
| 2010 | 2,602.9       | 718.6                      | 240,423        | 238,508     | 247,221    | --      | --      | 651.0       | N/A             | 164.6                |
| 2011 | 2,329.2       | 914.6                      | 241,370        | 239,496     | 248,061    | --      | --      | 586.2       | N/A             | 164.4                |
| 2012 | 2,088.9       | 646.0                      | 242,321        | 240,407     | 249,043    | --      | --      | 529.0       | N/A             | 171.7                |
| 2013 | 2,363.2       | 772.6                      | 237,999        | 236,076     | 244,609    | --      | --      | 552.8       | N/A             | 178.9                |
| 2014 | 2,353.7       | 671.0                      | 233,754        | 231,830     | 240,319    | --      | --      | 508.6       | N/A             | 171.3                |
| 2015 | 2,363.4       | 769.5                      | 229,584        | 227,690     | 236,097    | --      | --      | 471.7       | N/A             | 163.6                |
| 2016 | 2,372.1       | 707.8                      | 225,489        | 223,612     | 231,913    | --      | --      | 437.4       | N/A             | 173.8                |
| 2017 | 2,083.1       | 610.2                      | 221,467        | 219,582     | 227,942    | --      | --      | 354.8       | N/A             | 183.9                |
| 2018 | 2,046.1       | 595.1                      | 218,351        | 216,545     | 224,350    | --      | --      | 349.1       | N/A             | 184.5                |
| 2019 | 1,998.0       | 572.1                      | 214,439        | 212,745     | 219,743    | --      | --      | 341.7       | N/A             | 187.6                |
| 2020 | 1,958.9       | 559.1                      | 210,533        | 208,889     | 215,582    | --      | --      | 335.2       | N/A             | 190.3                |
| 2021 | 1,923.8       | 541.9                      | 206,831        | 205,221     | 211,736    | --      | --      | 329.2       | N/A             | 192.9                |
| 2022 | 1,889.8       | 536.5                      | 203,217        | 201,639     | 207,989    | --      | --      | 323.4       | N/A             | 195.7                |
| 2023 | 1,857.2       | 524.0                      | 199,710        | 198,161     | 204,375    | --      | --      | 317.7       | N/A             | 198.5                |
| 2024 | 1,852.1       | 520.7                      | 197,429        | 195,785     | 202,839    | --      | --      | 315.7       | N/A             | 192.2                |

## Annual Change

|      | Revenue (%) | Industry Value Added (%) | Establishments (%) | Enterprises (%) | Employment (%) | Exports (%) | Imports (%) | Wages (%) | Domestic Demand (%) | Number of pets (%) |
|------|-------------|--------------------------|--------------------|-----------------|----------------|-------------|-------------|-----------|---------------------|--------------------|
| 2011 | -10.5       | 27.3                     | 0.4                | 0.4             | 0.3            | N/A         | N/A         | -10.0     | N/A                 | -0.1               |
| 2012 | -10.3       | -29.4                    | 0.4                | 0.4             | 0.4            | N/A         | N/A         | -9.8      | N/A                 | 4.4                |
| 2013 | 13.1        | 19.6                     | -1.8               | -1.8            | -1.8           | N/A         | N/A         | 4.5       | N/A                 | 4.2                |
| 2014 | -0.4        | -13.2                    | -1.8               | -1.8            | -1.8           | N/A         | N/A         | -8.0      | N/A                 | -4.3               |
| 2015 | 0.4         | 14.7                     | -1.8               | -1.8            | -1.8           | N/A         | N/A         | -7.3      | N/A                 | -4.5               |
| 2016 | 0.4         | -8.0                     | -1.8               | -1.8            | -1.8           | N/A         | N/A         | -7.3      | N/A                 | 6.2                |
| 2017 | -12.2       | -13.8                    | -1.8               | -1.8            | -1.7           | N/A         | N/A         | -18.9     | N/A                 | 5.8                |
| 2018 | -1.8        | -2.5                     | -1.4               | -1.4            | -1.6           | N/A         | N/A         | -1.6      | N/A                 | 0.3                |
| 2019 | -2.4        | -3.9                     | -1.8               | -1.8            | -2.1           | N/A         | N/A         | -2.1      | N/A                 | 1.7                |
| 2020 | -2.0        | -2.3                     | -1.8               | -1.8            | -1.9           | N/A         | N/A         | -1.9      | N/A                 | 1.4                |
| 2021 | -1.8        | -3.1                     | -1.8               | -1.8            | -1.8           | N/A         | N/A         | -1.8      | N/A                 | 1.4                |
| 2022 | -1.8        | -1.0                     | -1.7               | -1.7            | -1.8           | N/A         | N/A         | -1.8      | N/A                 | 1.5                |
| 2023 | -1.7        | -2.3                     | -1.7               | -1.7            | -1.7           | N/A         | N/A         | -1.8      | N/A                 | 1.4                |
| 2024 | -0.3        | -0.6                     | -1.1               | -1.2            | -0.8           | N/A         | N/A         | -0.6      | N/A                 | -3.2               |

## Key Ratios

|      | IVA/Revenue (%) | Imports/Demand (%) | Exports/Revenue (%) | Revenue per Employee (\$'000) | Wages/Revenue (%) | Employees per Est. | Average Wage (\$) | Share of the Economy (%) |
|------|-----------------|--------------------|---------------------|-------------------------------|-------------------|--------------------|-------------------|--------------------------|
| 2010 | 27.61           | N/A                | N/A                 | 10.53                         | 25.01             | 1.03               | 2,633.27          | 0.00                     |
| 2011 | 39.27           | N/A                | N/A                 | 9.39                          | 25.17             | 1.03               | 2,363.13          | 0.01                     |
| 2012 | 30.93           | N/A                | N/A                 | 8.39                          | 25.32             | 1.03               | 2,124.13          | 0.00                     |
| 2013 | 32.69           | N/A                | N/A                 | 9.66                          | 23.39             | 1.03               | 2,259.93          | 0.00                     |
| 2014 | 28.51           | N/A                | N/A                 | 9.79                          | 21.61             | 1.03               | 2,116.35          | 0.00                     |
| 2015 | 32.56           | N/A                | N/A                 | 10.01                         | 19.96             | 1.03               | 1,997.91          | 0.00                     |
| 2016 | 29.84           | N/A                | N/A                 | 10.23                         | 18.44             | 1.03               | 1,886.05          | 0.00                     |
| 2017 | 29.29           | N/A                | N/A                 | 9.14                          | 17.03             | 1.03               | 1,556.54          | 0.00                     |
| 2018 | 29.08           | N/A                | N/A                 | 9.12                          | 17.06             | 1.03               | 1,556.05          | 0.00                     |
| 2019 | 28.63           | N/A                | N/A                 | 9.09                          | 17.10             | 1.02               | 1,555.00          | 0.00                     |
| 2020 | 28.54           | N/A                | N/A                 | 9.09                          | 17.11             | 1.02               | 1,554.86          | 0.00                     |
| 2021 | 28.17           | N/A                | N/A                 | 9.09                          | 17.11             | 1.02               | 1,554.77          | 0.00                     |
| 2022 | 28.39           | N/A                | N/A                 | 9.09                          | 17.11             | 1.02               | 1,554.89          | 0.00                     |
| 2023 | 28.21           | N/A                | N/A                 | 9.09                          | 17.11             | 1.02               | 1,554.50          | 0.00                     |
| 2024 | 28.11           | N/A                | N/A                 | 9.13                          | 17.05             | 1.03               | 1,556.41          | 0.00                     |

# Jargon & Glossary

## Industry Jargon

**PEDIGREE** The record of an animal's ancestry

**PUPPY MILL** A commercial breeding facility with inhumane conditions

**PUREBRED** An animal that's parents are of the same breed

## IBISWorld Glossary

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

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