
**Brakke Consulting's
Animal Health News & Notes for January 26, 2007**
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BRAKKE CONSULTING, INC.

SIGN UP NOW TO ATTEND BRAKKE CONSULTING'S 2007 INDUSTRY OVERVIEW
Early registration ends January 31!

Brakke Consulting will once again be presenting our 2007 Industry Overview at the Western Veterinary Conference.

WVC (Western Veterinary Conference)

The 2007 Industry Overview will be presented on Monday, February 19 from 2:00 pm – 4:00 pm at the Four Seasons hotel adjacent to the Mandalay Bay.

Early registration is \$325 for the first company attendee and \$300 for each additional attendee from the same company at the same presentation. To register online, go to the home page at www.brakkeconsulting.com and click on the registration link. You may also register by calling Jane Morgan in the Dallas office at 972-243-4033.

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COMPANY EARNINGS RELEASES

> **Pfizer Inc.** announced financial results for the full year 2006. Animal health revenues for the fourth quarter were \$655 million, an increase of 4% compared to the fourth quarter of 2005. Animal health revenues for the year were \$2,311 million, an increase of 5% from 2005. *(PRNewswire)*

> **IDEXX Laboratories, Inc.** reported that revenue for the year ended December 31, 2006 increased 16% to \$739 million from \$638 million for the same period in 2005. Incremental sales from businesses acquired since the beginning of 2005 added 2% to revenue growth. Net income for the year was \$93.7 million, an increase of 20% from \$78.3 million in 2005. Companion Animal Group ("CAG") revenue for the year increased 16% to \$606 million from \$521 million due to higher sales in all CAG product and service categories, with the largest growth in revenue from laboratory and consulting services. Incremental sales from businesses acquired since the beginning of 2005 contributed 2% to CAG revenue growth. *(company website)*

> **Abaxis, Inc.** reported financial results for the third fiscal quarter ended December 31, 2006. Abaxis reported revenues of \$22.0 million, as compared with revenues of \$17.4 million for the comparable period last year, an increase of 26%. Veterinary market revenues for the quarter were \$16.3 million, an increase of 19% compared to revenues of \$13.7 million in the comparable period in 2005. *(PRNewswire)*

> **PetMed Express, Inc.** announced its financial results for the quarter ended December 31, 2006. Net sales for the quarter were \$31.4 million, an increase of 21% compared to the quarter ended December 31, 2005. Net income was \$2.8 million for the quarter, an increase of 3% compared to the comparable quarter in the prior year. Net sales for the nine months ended December 31, 2006 were \$125.8 million, increase of 16% compared to the prior year. Net income was \$10.8 million for the nine months ended December 31, 2006, an increase to net income of 21% compared to the prior year. *(Business Wire)*

COMPANY NEWS RELEASES

> **Pfizer Animal Health** announced the completion of its acquisition of **Embrex, Inc.** The transaction has an aggregate equity purchase price of approximately \$155 million. With the completion of the acquisition, Embrex is now a wholly-owned subsidiary of Pfizer, and will continue to be based in Raleigh-Durham, NC. *(PRNewswire)*

> **Pfizer Inc.** announced it is cutting 10,000 thousand jobs and closing a number of facilities around the world in an effort to save \$1 to \$2 billion in annual costs. One of the facilities that will close is a small animal health facility in Omaha, Nebraska that employs about two dozen people, but the animal vaccine plant in Lincoln, Nebraska that employs between 700 and 800 people will remain open. Pfizer also announced plans to shut down facilities in Ann Arbor and Kalamazoo,

Michigan, but it will continue to maintain manufacturing and animal-health research operations in the Kalamazoo area. (*Brownfield Network, AP*)

> **Merial** reported its equine formulation of Previcox (firocoxib) has received a positive opinion from the EU's Committee for Medicinal Products for Veterinary Use (CVMP). The product is already registered in the US under the brand name Equioxx. (*Animal Pharm*)

> Akzo Nobel announced it has decided not to sell off its Organon Biosciences division, which includes **Intervet**, to a private equity concern. After studying bids from private equity companies, the company decided instead to pursue the original minority IPO. Akzo Nobel intends to list between 20% and 30% of Organon on the Amsterdam Euronext in early 2007. (*Animal Pharm*)

> **IDEXX Laboratories**, Inc. announced the availability of the new SNAP 4Dx test kit, an in-clinic diagnostic test that simultaneously screens dogs for four vector-borne diseases - heartworm disease, canine ehrlichiosis (*Ehrlichia canis*), Lyme disease and canine anaplasmosis (*Anaplasma phagocytophilum*, formerly *Ehrlichia equi*) - in approximately eight minutes. The SNAP 4Dx test is the only point-of-care test for canine anaplasmosis, an emerging health threat, Lyme borreliosis and canine ehrlichiosis. (*company website*)

> **Heska** announced that it has completed the sale of its rights in a worldwide patent portfolio covering a number of major allergens and genes that encode them to **Allergopharma Joachim Ganzer KG**. As part of the agreement, Heska has exclusively licensed the veterinary rights to the portfolio. Financial terms were not disclosed. (*company press release*)

> **W.F. Young** announced the introduction of UltraShield EX sweat-resistant insecticide and repellent. UltraShield is field tested and proven to kill and repel for up to 17 days. The product can be used on dogs and puppies as well as horses. (*company press release*)

> **Butler Animal Health Supply** announced that their Columbus and Lexington warehouses have now received accreditation from the National Association of Boards of Pharmacy in the Verified-Accredited Wholesale Distributors (VAWD) program. Butler is one of the first veterinary distribution companies to receive this accreditation in the US. (*company press release*)

> **Evialis** announced the acquisition of one of Russia's biggest premix and mineral manufacturers, **Rossovit**, as part of its ongoing international expansion. Rossovit is based in Moscow and has an industrial plant 300 km south west of the city. The company has an annual turnover of EUR 5.5 million (\$7 million) over the whole of Russia. Financial terms were not disclosed. (*Animal Pharm*)

> **Swift & Co.** announced it has retained J.P. Morgan to assist in a review of the company's financial and strategic options in light of "a number of inquiries over the last six months" from third parties seeking to buy all or part of the company, as well as currently robust capital market conditions. In its review, Swift said it will consider "a full range of possible alternatives," including a sale, merger, strategic partnership, refinancing and/or public stock offering. (*Feedstuffs online*)

> **Skystar Bio-Pharmaceutical**, a leading bio-pharmaceutical company in China, announced that it has entered into an agreement with **TNI-Penta**, a joint venture between TNI Pharmaceuticals, Inc. and Penta Biotech, Inc., for research and development of new veterinary pharmaceutical products. The new products are to be based on the efficacy of Methionine Enkephalin (MEK) for use in veterinary medicine. Methionine Enkephalin (MEK), developed and patented by TNI Pharmaceuticals, Inc., inhibits growth of tumor cells and stimulates the immune system. (*Marketwire*)

> **Somark Innovations** announced that it has successfully completed live animal tests using cows and laboratory rats that show its "chipless" RFID ink works. Instead of attaching an RFID chip to a cow's ear, Somark's proprietary process relies on injecting the animal with non-toxic ink. The RFID ink, which has special reflective properties, is injected into the animal's skin and forms a pattern such as an identifying number. A proprietary Somark RFID scanner can then read the ink pattern with a radio signal. The ink is chemically inert and doesn't cause a problem to the animal, according to the company. (*Computerworld*)

> **Smithfield Foods**, Inc. announced that it is beginning the process of phasing out individual gestation stalls at all of its company-owned sow farms and replacing them with pens or group housing over the next 10 years. Smithfield also will work with its contract growers regarding system conversion. (*company press release*)

> NETHERLANDS **Nutreco Holding N.V.** and **Hendrix Genetics B.V.** have signed a Memorandum of Understanding over the sale of the **Euribrid** animal breeding activities to Hendrix Genetics. Euribrid is the animal breeding activity of Nutreco and consists of three dedicated breeding companies, each focusing on its own species: Hybro (broilers) Hybrid (turkeys) and Hypor (pigs). The expected deal worth around EUR 50 million (\$65 million) includes its related Animal Breeding Research Center. Euribrid posted revenues of EUR 73.9 million (\$96 million) in 2005. Completion of the deal is expected in the first half of 2007. (*Wattnet Meatnews*)

> NETHERLANDS **Cargill Animal Nutrition** announced the acquisition of Netherlands-based **LNB International Feed B.V.** LNB also has facilities in Poland, Romania and Russia. LNB's main focus is the production of premixes. The deal will be Cargill's second-largest animal nutrition acquisition following its Agribands acquisition in 2001. Financial terms were not disclosed. (*Feedstuffs*)

ANIMAL HEALTH NEWS

> SOUTH KOREA - AVIAN INFLUENZA South Korean officials announced plans to slaughter more than 660,000 poultry and pigs to try to stem a new outbreak of avian influenza. The agriculture ministry will expand a mass cull around a poultry farm near the central city of Cheonan. (*AnimalNet - Agence France Presse*)

> HONG KONG - AVIAN INFLUENZA Hong Kong confirmed three dead birds found in the city carried the H5N1 avian influenza virus, the third case this month. (*AnimalNet - Reuters*)

> US - AVIAN INFLUENZA DIAGNOSIS University of Arkansas researchers have developed a portable biosensor they say can screen poultry for avian influenza in less than 30 minutes. The device can detect the highly pathogenic H5N1 strain of bird flu using tracheal swab samples from poultry. The developers estimated the biosensor would cost less than \$8,000 sold commercially, with testing fees of about \$10 per sample. (*Meating Place*)

> US - PET HEALTH LEADER DIES Mark L. Morris, Jr., MS, D.V.M., Ph.D., son of Mark Morris, Sr., D.V.M., founder of **Hill's Pet Nutrition**, Inc., died this week at the age of 72. Dr. Morris, Jr., played a significant role in the development of many innovative Prescription Diet pet foods and later completed a line of lifestage nutrition under the Science Diet name to promote wellness and longevity in healthy dogs and cats. Dr. Morris also served as trustee and vice-president of scientific activities for the **Morris Animal Foundation (MAF)**. Through his guidance, MAF has become the world's largest, non-governmental, non-profit organization funding humane animal health studies with more than 1,300 studies funded since its founding. Dr. Mark Morris, Jr., will be greatly missed in the veterinary profession and in the lives of the people and pets his legacy affects. (*company press release, Equisearch*)

> US - OXYGEN MASKS FOR PET RESCUE Oxygen masks for pets are increasingly becoming standard equipment for firefighters. Hoping to save cats, dogs and other pets caught in house fires, animal advocacy groups and pet-products suppliers are equipping departments all over the country with them. The cone-shaped plastic masks, which come in three sizes and fit snugly on snouts, can resuscitate animals suffering from smoke inhalation. They can be used on dogs, cats, ferrets, rabbits, guinea pigs, even birds. The masks were originally developed for use by veterinarians but have evolved into rescue tools over the past several years, according to **Smiths Veterinary Medical PM Inc.**, which distributes them. (CNN.com)

> JAPAN - DNA TRACEABILITY A traceability system based on genetic fingerprinting using animals' DNA has been presented at the 7th annual meeting of the Japanese Society of Animal Breeding and Genetics. Trading company **Kyodo International Inc.** with **G&G Science Inc.** described a traceability service based on Japanese genotyping, in which a suite of so-called SNP markers is used to track meat back to the mother of the slaughter pig. The company is promoting the system this year both in Japan and in other countries. (Watt Pig International)

BRAKKE CONSULTING VIEWPOINT

The first of the company financial reports for 2006 are out and more will come over the next couple of weeks. We believe all of the sales reports will be positive, showing various levels of growth for the companies. We're unaware of any larger company that had a decline in sales in 2006, so the news should generally be good, even down to the profit line. This bodes well for the industry and we continue to believe that the current sales trends will continue in 2007. While there are a few clouds on the horizon for the food animal segment, we continue to believe that the increased costs of production of animal protein will not substantially impact the sales of health and nutrition products.

There is a continuous stream of new and reformulated product introductions, but we're still looking for the "blockbuster" product and those seem to be a bit scarce at this point. Some lofty goals remain for a few companies waiting for the FDA or EPA to approve their products for entry into the channel. It appears to us and many other observers that the "regulatory system for animal products in the US is broken". The quality and/or lack of responses by the regulatory agencies are beginning to take a toll on a number of companies and innovation. This is not a good sign and we encourage all of you to discuss this situation with your local representatives.

Have a great weekend!

Ron Brakke

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