
**Brakke Consulting's
Animal Health News & Notes for October 1, 2004**
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IN THE NEWS:

earnings news:
Neogen

other news:
BoviQuest
ConAgra
Eklin Medical Systems
Elinc
Fort Dodge
Merial
NovaDel Pharma
PETsMART
Swift Foods
Velcera
Veterinary Pet Insurance

COMPANY EARNINGS RELEASES

> **Neogen Corporation** announced results for the first quarter of its 2005 fiscal year, which ended Aug. 31. Quarterly net income increased 22% to \$1,584,000 from \$1,302,000 in FY 2004. Neogen's first quarter revenues were \$15.2 million, a 24% increase compared to the prior year. The Animal Safety Division led the company's first quarter revenue increase, with sales up 50% to \$8.0 million. The November 2003 acquisitions of Hacco and Hess & Clark contributed substantially to the increase. However, the division also saw significant sales growth in its veterinary instrument products, up 20% over last year, and sales of Neogen's proprietary K-Blue substrate, which was up 45%. Sales growth of more than 40% was also achieved for both BotVax B and EqStim vaccines. (*company press release*)

BRAKKE CONSULTING, INC.
Coming this fall: Livestock Insecticide Study

With the advent of endectocides, traditional insecticides may be overlooked as a product category. Nevertheless, they represent a large and stable market opportunity.

The research plan includes qualitative input from industry participants and experts plus quantitative analysis of historical sales data. It examines the sales trends for established products, likelihood of success for new products and what might be in the pipeline for the future. Products evaluated in the study include ear tags, sprays, feedthroughs and pour-ons.

The study will describe and explain:

- How major players give the market its structure
- Age and status of active ingredients
- Prevalence of use
- Economic importance of insecticides to livestock producers
- Livestock owner expenditures on insecticide products
- Products currently recommended by extension personnel

- Products most commonly used by livestock owners
- Perceived reasons for non-use or lack of effectiveness of current products
- Interest in new product concepts that potentially improve effectiveness or convenience
- Revenue potential for current and future products
- Near-term growth potential

In addition, the study will provide Market Shares by manufacturer, product form, active ingredient, species, and pest.

The Brakke Livestock Insecticide Market Study is available for \$10,500. The full report will be available in November 2004.

For more information, please contact John Mannhaupt at jmannhaupt@brakkeconsulting.com.

COMPANY NEWS RELEASES

> **Merial** announced that it has licensed from **BoviQuest**, a world leader in dairy genomics, the first globally available gene marker tests identifying milk yield and composition without negatively impacting fertility in dairy cattle. The attainment of global distribution rights for these two new tests, IGENITY OptiYIELD and IGENITY ComponentMAKER significantly expands Merial's IGENITY portfolio in the dairy sector. *(PRNewswire)*

> **Veterinary Pet Insurance** announced the retirement of Jack Stephens, DVM, as the company's CEO and President, and his resignation from the company's Board of Directors. Dr. Stephens will dedicate his time to charitable endeavors, most notably continuing his work with The Skeeter Foundation. James Carney, a veteran of the insurance business, has been appointed as VPI's acting CEO and President. *(company communication)*

> The board of directors of **PETsMART**, Inc. approved a program that allows the company to purchase an aggregate of \$150 million of its common stock between now and the end of fiscal 2005. This new program replaces the existing \$35 million per year program, which would have expired in March 2006. The company completed the 2004 portion of that authorization during the second quarter. *(Business Wire)*

> **Eklin Medical Systems**, a digital radiography and image management systems for the veterinary care market, and **Elinc Corporation**, a provider of veterinary practice management software, announced the formation of a multi-year joint venture relationship to develop a set of standards for the seamless integration of Elinc's VIA Veterinary Practice Information Management System (PIMS) with Eklin's RapidStore clinical PACS platform and EklinVault and EklinRead web-based informatics and telemedicine systems. The companies anticipate that the integrated Eklin and Elinc solution will be available to veterinarian practices in early fourth quarter 2004. *(company press release)*

> **Velcera Pharmaceuticals**, a new animal health company, announced that it has entered into an agreement with **NovaDel Pharma** Inc. that provides Velcera with exclusive worldwide rights to NovaDel's patented lingual spray drug delivery technology for development of novel veterinary medicines. As part of the agreement, NovaDel received an equity stake in Velcera, along with an upfront cash payment. The agreement provides for milestone payments to NovaDel and royalties on any products developed. *(Feedstuffs)*

> **ConAgra Foods** announced that the investment firm **Hicks, Muse, Tate and Furst** Inc., will acquire ConAgra Foods' minority interest in **Swift Foods**. Swift Foods was created two years ago when ConAgra Foods divested its fresh beef and pork operations. For its minority interest, ConAgra Foods will receive \$194 million, and will record no gain or loss on the transaction. As

planned, ConAgra Foods no longer has any equity in fresh beef and pork processing operations and expects to soon recover the financing it provided to Swift Foods' cattle feeding operations. The financing, which ConAgra Foods provided for two years, included a line of credit and a note receivable totaling approximately \$300 million on the date of maturity; that financing was secured by cattle and feedlots. ConAgra Foods now has control of the assets of the cattle feeding operations, and will sell the cattle and feedlots in an orderly manner over the next few months. The proceeds from the sale of the cattle feeding assets are expected to repay ConAgra Foods for the financing provided to those operations. As a result of the action, the only remaining capital ConAgra Foods has in Swift Foods is \$150 million of subordinated debt. (*Wattnet Meatnews*)

Southwest Veterinary Symposium September 23 - 26, 2004

The SWVS held its second annual meeting in Grapevine, Texas last weekend. The SWVS 2004 meeting had over 5,000 attendees with 1,700 DVMs, 900 Technicians, 1,000 guests and over 1,500 exhibitors. The conference included the first annual International Symposium in Spanish, as well as a new Design Conference featuring innovative ways to remodel or build a veterinary clinic. The conference also featured a disaster training session hosted by the Texas VMA to address the veterinary response to agro-terrorism.

ANIMAL HEALTH NEWS

> **US - NATIONAL PET WELLNESS MONTH** October marks the first annual National Pet Wellness Month, a nationwide effort co-sponsored by the American Veterinary Medical Association and **Fort Dodge Animal Health** to educate consumers about the pet aging process and the health benefits of twice-a-year pet wellness exams. Dr. Marty Becker, contributing veterinarian for "Good Morning America" and veterinary/pet columnist for *Knight Ridder Tribune*, serves as consumer spokesperson for National Pet Wellness Month. National Pet Wellness Month will be a multi-year, cooperative endeavor for Fort Dodge and the AVMA. (*company press release*)

> **EU - PET PASSPORTS** Residents of the European Union who want to take their cat, dog or ferret to another EU nation now need special pet passports. The wallet-sized passports will verify that the pet has been vaccinated against rabies. It may also contain an animal's medical history or photo, though that is not mandatory. Veterinarians will issue the documents, which will be valid in every EU country except Ireland, Malta, Sweden and the UK, which require additional rabies testing. The pet passports will be temporary. Over the next eight years, EU countries will start requiring pet owners to have electronic microchips containing identification and vaccination information implanted in their animals. Britain, Malta and Ireland already require the microchips. (*AP*)

> **JAPAN - POULTRY IMPORTS** Japan lifted its ban on poultry imports from the US states of Delaware, Maryland, and Rhode Island. According to the Agriculture Ministry, Japan will continue to prohibit poultry from Connecticut, New Jersey and Texas, however, because eradication of the flu hadn't been confirmed in those areas. In February, Tokyo temporarily suspended all imports of poultry from the US as a "precautionary measure" after Washington confirmed several avian influenza outbreaks. Japan limited the ban four months later to the six states where infected birds had been found. (*AP*)

> **US - FORCED FEEDING OF DUCKS BANNED IN CALIFORNIA** California passed a bill that will end the force feeding of ducks, geese and other birds to produce the gourmet liver product foie gras by 2012. The bill gives producers more than seven years to "evolve and perfect a

humane way for a duck to consume grain to increase the size of its liver through natural processes." The bill will also ban the sale of foie gras in California starting that same year if it's obtained by force feeding birds. (CNN)

BRASSE CONSULTING VIEWPOINT

What new products or technologies will your company be introducing to the animal health marketplace in 2005? Will your R&D pipeline pay off with more news products than you can comfortably handle? We've been most impressed these past few weeks with a number of new high-technology products that are approaching commercialization. As we've stated many times, innovation and new technology are the future of the business. Keep up the R&D efforts and investment in your 2005 budgets.

Also, this week we noted the retirement of Dr. Jack Stephens from Veterinary Pet Insurance. Jack is the godfather of pet insurance in the US, and has spent the past 20+ years promoting its value to the pet owner and the veterinary profession. We wish Jack the best in his retirement.

Have a great weekend.

Ron Brasse

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