
**Brakke Consulting's
Animal Health News & Notes for October 20, 2006**
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COMPANY EARNINGS RELEASES

> **Pfizer** reported results for the third quarter of 2006. Animal Health revenues were \$562 million, an increase of 12% compared to the third quarter of 2005. Revenues for the first nine months of the year were \$1.66 billion, an increase of 5% compared to the comparable period in the prior year. (*PR Newswire*)

> Merck announced results for the third quarter of 2006. Third quarter sales for joint venture **Merial** were \$534 million, an increase of 4% compared to the third quarter of 2005. Sales for the first nine months of 2006 were \$1.71 billion, a 12% increase compared to the first nine months of 2005. (*company website*)

> Akzo Nobel announced results for the third quarter of 2006. Revenues at **Intervet** were steady at EUR 276 million (\$350 million). Intervet continued to enjoy substantial autonomous growth of 7%, with EBIT margins close to 20%. New product approvals were granted for the PreveNile equine West Nile vaccine, and for beef cattle product Zilmax. (*company website*)

> Wyeth reported results for the third quarter of 2006. Worldwide revenue for **Fort Dodge Animal Health** increased 2% to \$212 million for the 2006 third quarter and 5% to \$733 million for the 2006 first nine months due to higher sales of livestock products, partially offset by lower sales of equine products. Increases in net revenue also were attributed to higher sales of companion animal products for the 2006 first nine months. (*company website*)

> **Schering-Plough** reported financial results for the third quarter of 2006. Animal Health sales increased 9% to \$228 million, reflecting growth of core brands across most geographic and species areas. (*company press release*)

> Eli Lilly and Company announced financial results for the third quarter of 2006. Worldwide sales for animal health division **Elanco** of \$216 million were flat compared with the third quarter of 2005. (*company website*)

> **Nestle** reported results for the first nine months of 2006. Revenues for the PetCare division were CHF 8.36 billion (\$6.69 billion), representing organic growth of 7% and real internal growth of 4%. Europe experienced strong growth, with strategic brands such as Bakers, ONE, Gourmet and Beneful doing particularly well. Growth in North America continued to accelerate, with continued innovation around the humanization of pet food, including new natural products for dogs and restaurant-inspired recipes for cats. (*company website*)

> **ImmuCell** Corporation announced the results of its operations for the three month period ended September 30, 2006. Product sales increased by 35% to \$1,059,000 in comparison to the same period in 2005. (*company press release*)

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COMPANY NEWS RELEASES

> **Merial** announced a newly updated IGENITY profile that gives producers the tools to understand and improve cow longevity by adding new DNA markers for productive life and dairy form. (*company press release*)

> **Novartis** announced an agreement to acquire the animal health business of **Sankyo Lifetech** Co. Ltd., expanding the presence of its Novartis Animal Health business in Japan. Under the agreement, Sankyo will transfer its animal health business to a new company that Novartis Animal Health K.K. has agreed to acquire. Sankyo's animal health business generated \$48 million in product sales in the fiscal year ending March 2006. Terms were not disclosed. (*company press release*)

> **Butler Animal Health Supply** announced that it terminated its letter of intent to acquire **IVESCO**. Butler Animal Health Supply announced the signing of the letter of intent on June 14, 2006 but the two companies were unable to come to a definitive agreement on the terms of the acquisition. (*PRNewswire*)

> **Pilgrim's Pride** announced that the Antitrust Division of the Department of Justice has granted early termination of the antitrust waiting period in connection with its offer to purchase outstanding shares of **Gold Kist** Inc. common stock for \$20 per share in cash. Gold Kist reported its Board of Directors remains committed to continuing to explore strategic alternatives to seek to maximize value for the Company's stockholders. In addition, Gold Kist stated that the announcement has no effect on the company's lawsuit against Pilgrim's Pride. (*Wattnet Meatnews*)

> **Divergence**, Inc. announced that it has been awarded \$296,000 in a Phase II Small Business Innovation Research ("SBIR") grant from the USDA. The grant is focused on the testing and development of nematicidal compounds. (*company press release*)

> **eMerge Interactive**, Inc. and the sole member of **PRIME BioSolutions** LLC announced the signing of a definitive agreement whereby PRIME will be merged into a subsidiary of eMerge. Upon completion of the stock transaction, eMerge will change its name to PRIME BioSolutions. A condition to completion of the merger is the receipt of commitments from new investors to invest \$70 million of additional capital in the company in exchange for equity securities of the company, for which there are not currently formal commitments. (*company press release*)

> **Prairie Orchard Farms** of Canada has received permission from USDA to market its pork as "an excellent source of selenium," an antioxidant believed to help prevent major cancers such as prostate cancer, breast cancer and colorectal cancer, as well as Alzheimer's disease. The company earlier this year received permission to market its Verdancia Farms-branded pork as high in Omega-3 fatty acids. (*Meating Place*)

> **Micro Dairy Logic**, a division of **Micro Beef Technologies**, announced the acquisition of Accu-Trac Dairy, a fully integrated Windows-based dairy management software developed by dairymen. (*company press release*)

> UK **Kiotech International** PLC announced it is in discussions with **Lawrence** PLC, which may or may not lead to the acquisition of **Agil**, the trading division of Lawrence PLC which operates in the feed additive market. The board of Lawrence said it anticipates that the expected proceeds of the disposal would, should it proceed, be used to accelerate the program of registrations with **ECO Animal Health**. (*AFX News*)

ANIMAL HEALTH NEWS

> **RUSSIA - BSE** Russian authorities have discovered a case of BSE in the Nesterovski region, near the Lithuanian border. According to a news release from the Federal Control Service for Consumer Rights, officials are taking measures designed to eliminate the source of the disease. (*Meating Place*)

> **UK - NEWCASTLE DISEASE** Laboratory results have confirmed Newcastle Disease on a poultry farm in East Lothian. More than 15,000 birds will be slaughtered in a bid to prevent the spread of the disease, which only affects poultry. Restrictions have been put in place and poultry on the premises will be culled in line with EU requirements. (*4ni.co.uk*)

> **US - NASDA RESOLUTION** The National Association of State Departments of Agriculture (NASDA) passed a resolution asking that all cattle imported into the US be removed from the federal "J-list", which exempts them from a requirement for a permanent mark of origin. NASDA characterized the resolution as a "backstop" until the National Animal Identification System is in place. (*Feedstuffs*)

> US - LOW PATHOGENIC AVIAN INFLUENZA The U.S. Departments of Agriculture and Interior announced that the H5 and N1 avian influenza subtypes were detected in samples from wild Northern pintails in Ohio. Initial tests of the samples, collected through the expanded wild bird monitoring program, indicate that the birds are carrying the low-path version of the H5N1 strain, but further testing will be conducted at the National Veterinary Services Laboratory in Ames, Iowa. (*Meating Place*)

> US - HSUS VP At the Animals and Society Institutes' Strength of Many conference held recently, Miyun Park, Vice President of Farm Animal Welfare for the Humane Society of the United States (HSUS) presented poultry slaughter numbers and articulated the organization's objective for the egg laying and broiler chicken industry to be, "to get rid of the industry." HSUS' Park is also former President and co-founder of Compassion Over Killing (COK), an ardent vegan advocacy group. (*Animal Agriculture Alliance*)

> US - CLONED MEAT MAY WIN APPROVAL BY YEAR END The FDA is reportedly ready to approve the sale of meat and milk from cloned animals by year-end. The Washington Post says the three-year process is nearing completion, as veterinary experts have decided meat from cloned animals and their offspring poses no risk to consumers. FDA points out that it is not approving genetically modified animals, just clones, which are essentially twins. (*Meating Place*)

BRAKKE CONSULTING VIEWPOINT

There were some impressive sales growths reported for the third quarter by some of the companies. Congratulations to those reporting!! As we have suggested in the past, we believe 2006 will be another growth year for the industry. I'm currently on the road and over the past week have visited with a number of clients and friends within the industry. Every firm is adding personnel in sales, marketing and research. There is a scramble for more new products and technology even though there will be several significant new products introduced in 2007. While all the firms are experiencing nice growth in 2006, they are concerned with some aspects of 2007. We tend to think that some of this pessimism is stimulated by the annual budget process. The planned investment in the industry in 2007 is most encouraging and should provide the foundation for even more growth in the future.

I'm currently on my way to my home state of South Dakota to hunt the ring necked pheasant for the next few weekends. I'll provide hunting reports in future newsletters along with some of the local color commentary.

Have a great weekend and play safe!!

Ron Brakke

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