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**Brakke Consulting's  
Animal Health News & Notes for October 28, 2005**  
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**COMPANY EARNINGS RELEASES**

> Merck reported financial results for the third quarter of 2005. Sales for animal health joint venture **Merial** were \$513 million for the quarter, a decrease of 5% compared to the third quarter of 2004. Sales for the first nine months of 2005 were \$1,520 million, an increase of 8% compared to the prior year comparable period. (*company website*)

> **Schering-Plough** reported 2005 third quarter financial results. Animal Health sales increased 14% to \$209 million, reflecting higher sales of core products across most geographic areas, led by products serving the US cattle market, and a favorable impact from foreign exchange of 1%. (*company press release*)

> **Virbac Corp.** reported its earnings for the first half of 2005. The company reported net income of \$2.4 million on revenues of \$41.1 million for the six months ended June 30, 2005, compared to a net income of \$0.2 million on revenues of \$39.7 million in the same year ago period. The increase in revenues is primarily attributable to increased sales of the company's heartworm product, Iverhart Plus. (*company press release*)

> **IDEXX Laboratories**, Inc. reported that revenue for the third quarter of 2005 increased 18% to \$158 million. Net income was \$20.6 million, an increase of 5% compared to the third quarter of

2004. Companion Animal Group revenue for the third quarter of 2005 increased 18% to \$129 million. (*company website*)

> **ABAXIS**, Inc. reported financial results for the second fiscal quarter ended September 30, 2005. For the quarter, ABAXIS reported veterinary market revenues of \$12.7 million, an increase of 13% compared to the second quarter of the prior year. ABAXIS reported total company revenues of \$17.4 million for the quarter, an increase of 28%. The Company reported net income of \$2.3 million, compared to \$1.3 million for the same period last year. (*company press release*)

> **PetMed Express**, Inc. announced its financial results for the quarter ended September 30, 2005. Net sales for the quarter ended September 30, 2005 were \$38.7 million, an increase of 34% compared to the quarter ended September 30, 2004. Net income was \$2.7 million for the quarter ended September 30, 2005, an increase of 50% compared to the quarter ended September 30, 2004. (*Business Wire*)

> **VCA Antech**, Inc. reported financial results for its third quarter ended September 30, 2005 as follows: revenue increased 25.0% to \$229 million; and net income increased 28.3% to \$22.3 million. For the nine months ended September 30, 2005, revenue increased 25.1% to \$623 million, and reported net income was \$50.8 million. (*company press release*)

> **Land O'Lakes**, Inc. reported its third-quarter and year-to-date financial results. Feed sales through September were \$1.9 billion, down slightly from \$2.0 billion one year ago. Year-to-date, Feed is reporting pretax earnings of \$18.9 million, versus a (\$21.2 million) pretax loss for the first three-quarters of 2004. Feed earnings were affected by \$2.7 million in unrealized pretax hedging gains, versus \$15.8 million in unrealized pretax hedging losses through September of 2004. For the third quarter, Feed reported \$624 million in sales and pretax earnings of \$0.9 million, as compared to sales of \$666 million and a pretax loss of \$17.2 million one year ago. Year-to-date Feed volumes were down 6% in the livestock segment, up 3% in lifestyle feeds, up 12% in milk replacers; and up 3% in ingredients. (*Business Wire*)

> **Maple Leaf Foods** Inc. reported that sales for the third quarter decreased 5% to C\$1.6 billion compared with C\$1.7 billion for the prior year, due to lower commodity prices that affected the company's pork, poultry, feed, and rendering businesses. Net earnings for the third quarter were up 13% in 2005 compared to 2004, from C\$26.7 million to \$30.1 million, respectively. (*Wattnet Meatnews*)

> **OurPet's Company** reported financial results for its nine months ended September 30, 2005. For the nine months of 2005 net sales were \$5.0 million, an increase of 22% compared to the prior year nine months. Net income for the nine months was \$170,270 compared to a net loss for the prior year of (\$46,182). (*Business Wire*)

> **International Absorbents** reported results for its second quarter ended July 31, 2005. Sales increased by 11% to \$6.1 million, while net income decreased by 89% to \$48,000. The company said that increased transportation and fuel costs were a significant contributor to increased expenses, as well as increased sales and marketing expense. (*company press release*)

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**BRAKKE CONSULTING, INC.**  
**The Success of Veterinarians Is Essential**

The Practice Management Group of Brakke Consulting, Inc. have become some of the most frequent speakers at veterinary association meetings throughout the U.S. and abroad. They consistently fill the rooms when they present veterinary management seminars.

PMG can help your company increase its value to existing and potential veterinary customers through sponsored seminars that are educational, relevant, enjoyable and very beneficial to veterinarians and their staffs. Contact Roger Cummings, CVPM in the Dallas office at [vpmg@brakkeconsulting](mailto:vpmg@brakkeconsulting) to learn how our practice management consultants can help maximize your company's exposure to the veterinary profession.

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## COMPANY NEWS RELEASES

> **Prionics AG and Pfizer Animal Health** announced an agreement whereby Prionics will acquire Pfizer Animal Health's diagnostic products. The product line includes tests for the detection of Bovine tuberculosis (Bovigam) and Paratuberculosis/Johne's (Parachek) in animals raised as a food source. Prionics will fully integrate the diagnostic tests into its product portfolio through a one year transition phase to ensure a smooth changeover. Financial terms were not disclosed. (*PRNewswire*)

> **Schering-Plough Animal Health** announced that the FDA approved Aquaflor Type A Medicated Article (florfenicol), an antimicrobial for the control of mortality due to enteric septicemia of catfish. Aquaflor is the first new antimicrobial approved for finfish in over two decades. (*AnimalNet - USDA*)

> **First Pet Life, Inc.** announced that it has entered into an agreement with an unnamed pet insurance company, which will allow First Pet Life to begin offering pet health insurance products to its customers. First Pet Life offers many services including pet health insurance, pet supplies, boarding, and grooming. (*Business Wire*)

> **Doane Pet Care Company** announced that Teachers' Private Capital, the private investment arm of the Ontario Teachers' Pension Plan Fund, has completed the previously announced acquisition of beneficial ownership of substantially all of the outstanding capital stock of Doane Pet Care Enterprises, Inc. from a group of investors led by JPMorgan Partners for approximately \$840 million. (*Business Wire*)

> **SmartPak Equine** announced that Inc. Magazine ranked the company the 106th fastest-growing private business in America, and the sixth fastest growing consumer products company. With a growth rate of 868% in the last three years, SmartPak has achieved a recognition never before attained by a company in the equine industry. (*company press release*)

> NETHERLANDS **Intervet** recently launched the first needleless vaccination tool for swine: the IDAL Vaccinator. The IDAL Vaccinator has three revolutionary features: 1) It is controlled electronically; 2) There is no needle; and 3) It delivers the vaccine intradermally. This innovative device makes the vaccination easier and safer for the operator, and a lot more friendly for the pigs. Intervet's Porcilis Begonia and Porcilis PRRS are approved for use with the IDAL. The vaccinator is already in use in several countries around the world, with good results. (*ThePigSite.com*)

> JAPAN **Shigeta Animal Pharmaceuticals** announced a joint venture with Bogor Agricultural University in Indonesia to produce a vaccine effective against the H5N1 strain of avian influenza. The company has been licensed to use the reverse genetics technology from MedImmune to produce the vaccine. (*Animal Pharm*)

> SPAIN **Grupo Investa**, one of Spain's largest animal health concerns, announced an agreement with investment group Espiga Capital, whereby Espiga will acquire 88% of the

company's capital from shareholders. The group reported turnover of EUR 19.3 million (\$23 million) in 2004. (*Animal Pharm*)

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## ANIMAL HEALTH NEWS

> DENMARK - NEWCASTLE DISEASE Denmark slaughtered 41,000 hens after veterinary authorities confirmed an outbreak of Newcastle disease on a farm in the southwest of the country. The farm has been quarantined and a 10-kilometer (six-mile) security zone has been set up, reaching the German border, in a bid to contain the disease. (*AnimalNet - Agence France Presse*)

> US - USDA TESTING FOR AVIAN INFLUENZA The USDA has begun testing a limited number of US chicken flocks to detect any sign of the H5N1 strain of avian influenza virus. The Department is also testing migratory birds in Alaska. No cases of the strain have been found in the US. (*Wattnet Meatnews*)

> UK - AVIAN INFLUENZA IN PARROT Tests have confirmed that a parrot that died from avian influenza in UK quarantine did have the H5N1 strain. The bird came from Surinam in South America - a region free from bird flu. The UK's chief vet said the parrot probably contracted the virus from other birds in quarantine - perhaps a group from Taiwan. As the parrot died while it was in quarantine, the UK's disease-free status is unchanged. (*BBC*)

> CHINA - AVIAN INFLUENZA An avian influenza outbreak sickened 2,100 geese in eastern China and killed about a quarter of them, according to an Associated Press report. This was China's second AI outbreak in a week. China's Agriculture Ministry confirmed that the birds died of the H5N1 strain of the virus. (*Wattnet Meatnews*)

> SWEDEN - LOW PATHOGEN AVIAN INFLUENZA Swedish veterinary experts examining a duck that died of bird flu have found it was not infected with the lethal H5N1 strain. Sweden's board of agriculture said the bird was carrying a mild, low risk type of the influenza virus. The virus was detected in Eskilstuna, west of the capital Stockholm. (*BBC*)

> GERMANY - AVIAN INFLUENZA IN WILD GEESE Preliminary tests on wild geese found dead in Germany came back positive for avian influenza, and officials said that even though the birds died of poisoning, not bird flu, further tests would be conducted to determine whether they carried the H5N1 strain of the virus. (*Meating Place*)

> RUSSIA - AVIAN INFLUENZA Avian influenza has turned up in a flock in the central Russian region of Tambov, about 250 miles southeast of Moscow, where 70 birds have fallen ill with the disease. It is not yet clear whether they were infected with the H5N1 strain of the virus. Also, a new outbreak has also been detected in Russia's Altai region in southern Siberia. Bird flu antibodies were found in the blood of 59 birds that died on seven poultry farms in the village of Pokrovka. Details about the virus discovered here are still pending. (*Meating Place*)

> CROATIA - AVIAN INFLUENZA Croatian authorities have detected avian influenza in two of 13 swans found dead near a national park in the eastern part of the country. The swans tested positive for the H5N1 strain. Six other swans from the same flock tested positive for bird flu last week. Results on tests from those birds are expected later this week. (*Meating Place*)

> US - PORK EXPORTS UP SHARPLY In their weekly review of the US hog industry, Glenn Grimes and Ron Plain report that Pork exports have continued to grow at an amazing rate. For August, the 2005 growth was 29.6% compared to 12 months earlier. For January-August, pork exports in 2005 are up 26.5%. This will be the fourteenth consecutive year for record high

exports. For January-August, pork exports amounted to over 13% of US production. *(ThePigSite.com)*

> JAPAN - DOG-FRIENDLY CARS Honda Japan has designed a dog friendly car. Named the W.O.W. concept, W.O.W. stands for Wonderful Open hearted Wagon. A special crate for dogs in the glove compartment area allows owners to interact with their pets while driving. A bigger crate pops up from the floor in the back seat area and can be folded back into the floor when it's not needed. For even bigger dogs, just buckle them up with a special seat belt to the floor. The big danger for pets riding along in cars is that they get thrown out during a crash. The W.O.W. comes with removable, washable, rollout flooring and has wide sliding doors to keep dogs happy. *(Pets International)*

> BSE MAY BE CAUSED BY VIRUS Research conducted by scientists in the US and Japan reached the controversial conclusion that a virus may be responsible for BSE and the human version, variant Creutzfeld-Jakob disease, and that injection of a mild dose of vCJD may immunize humans against the full-blown disease. The study is published in the latest issue of the journal Science. *(Meating Place)*

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### **BRAKKE CONSULTING VIEWPOINT**

This week's news brings more earnings reports showing continued growth in the animal health industry. We expect and hope that the market will continue expand, especially in the companion animal segment.

This week also brings the second in our excerpts from "TWENTY-ONE MEASUREMENTS FOR SUCCESS IN THE 21ST CENTURY."

#### **Have you Introduced Flexible Management Systems?**

We predicted in 2000 that small, affordable computers with the ability to analyze millions of bits of information and variables will allow managers to make decisions based on real-time data. More importantly, managers can make decisions and move the communications of these decisions around the world or country instantaneously. No one person or company will have a corner on the management information. What the leading companies will have is a flexible management system that rapidly analyzes and implements changes needed in their operations, based on the information in their system. This means there will be competition for information and a need for shared and distributed decision making.

It appears that we predicted this one correctly and that many of you listened. Currently, we communicate with client companies around the world at several levels of management from our Dallas office. In visiting our clients' offices we find sophisticated electronic systems for being used in videoconferencing and instant supplies of new data being shared via email during a discussion. Managers have at their disposal information from around the world that helps them make critical decisions rapidly. In the past five years, we have been exposed to a number of electronic reporting systems from the producer to the pet owner that has improved communications and required new skill sets to manage. As Bill Gates once said, "in the 21st century business will be conducted at the speed of light".

Have a Great Weekend!!

*Ron Brakke*

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