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Brakke Consulting's
Animal Health News & Notes for November 4, 2005
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IN THE NEWS:

earnings news
Digital Angel
Embrex
Hill's

other news
Advanced ID
Banfield
Bovigen
DermaPet
Genus
Pet Hungaria
Provimi
Sygen
Syngenta Animal Nutrition
Zymetrics

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COMPANY EARNINGS RELEASES

> Colgate-Palmolive Company announced results for third quarter 2005. **Hill's Pet Nutrition's** unit volume grew 4.0% in the third quarter and dollar sales rose 7.0% to $374 million. Innovative new products contributing to growth in the US specialty retail channel during the quarter include Science Diet Canine Lamb & Rice Large Breed, Science Diet Canine Small Bites and Science Diet Indoor Cat pet foods. In the US veterinary channel, sales of new Prescription Diet Canine j/d continue to exceed expectations. *(company press release)*

> Embrex, Inc., announced financial results for the third quarter ended September 30, 2005. For the quarter, consolidated revenues were $13.3 million, a 4% increase compared to the third quarter of 2004. Total net income for the third quarter of 2005 was $0.7 million, compared to net income of $0.8 million for the same quarter in 2004. The decrease in third quarter 2005 net income as compared to the same period in 2004 was primarily due to increases in operating expenses, partially offset by a 36% decrease in income tax expense. *(company press release)*

> Digital Angel Corporation announced results for its third quarter and nine months ended September 30, 2005. In the Company's Animal Applications segment, revenue increased 59% to $8.8 million in this year's third quarter up from $5.5 million in the year ago quarter, and rose 36% to $25.4 million in the first nine months of 2005 from $18.7 million in the prior year period. *(company website)*

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BRAKKE CONSULTING, INC.
EXECUTIVE AND SALES FORCE RECRUITING

Since 1986 Brakke Consulting, Inc. has successfully assisted many clients in finding and hiring exceptional employees at all levels, in the many departments of animal health, pet, veterinary and specialty chemical companies. We strive to pre-qualify candidates, allowing clients to choose from a few of the best applicants for a position. Our approach increases the efficiency and effectiveness of the Human Resources Departments of client companies.

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COMPANY NEWS RELEASES

> **Bovigen** LLC announced that it has added a third marker to its GeneSTAR Tenderness test. The marker was successfully validated by the National Beef Cattle Evaluation Consortium. The company plans to add the new marker to its current tenderness test at no extra charge and expects to add a fourth tenderness marker later this year. *(Drovers Alert)*

> DermaPet announced the launch of its first products specifically designed for the equine market. Malacetic EQ Shampoo is a medicated shampoo useful as a degreaser and in assisting treatment of most microbial infections including *Dermatophilus*, scratches and ringworm using the patented 2% acetic and 2% boric acids. Dermallay EQ uses a cosmetic grade, solubilized oatmeal which is useful as a general cleanser and for its anti-inflammatory, anti-pruritic properties. *(company communication)*

> Genus PLC, an international leader in bovine genetics and the parent company of **ABS**, announced that it has reached an agreement with **Sygen International** PLC to acquire Sygen, an international leader in porcine genetics and the parent company of **PIC**. The offer values Sygen at or 187 million British pounds ($332.1 million). *(Feedstuffs online)*

> Zymetrics announced it has changed its name to **Syngenta Animal Nutrition** Inc. As a division of Syngenta, the company's new name better reflects its ownership and its commitment to animal nutrition enzyme research and application. *(Feedstuffs)*

> Banfield, The Pet Hospital announced the grand opening of its 500th full-service pet hospital in Broomfield, Colo. Banfield is also celebrating its 50th anniversary this year. *(company press release)*

> HUNGARY **Provimi** announced the acquisition of **Pet Hungaria Kft**, the leading private label pet food company in Hungary. This acquisition further strengthens Provimi's position as a leading pan-European private label pet food producer. Pet Hungaria is the largest private label pet food producer in Hungary and sells to mostly large supermarket chains. In 2004, Pet Hungary had a turnover of EUR 31 million. Financial terms were not disclosed. *(PETS International)*

> CHINA **Advanced ID Corporation** announced a distribution agreement with Carlyle Group (a registered company in China which is owned 40% by the Chinese government) that calls for mandatory microchip identification of over 1 million dogs in Guangdong province. The contract terms include supplying over 550,000 Advanced ID Pet Microchips in the first few years of the distributorship agreement. *(Business Wire)*

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ANIMAL HEALTH NEWS

> US - PET MICROCHIPPING ENDORSED BY CONGRESS Congress has added language to the Agriculture Appropriations Bill that supports the use of microchipping of pets for identification purposes. Both Houses of Congress are expected to pass the conference report today and

President Bush is expected to sign the bill. This is the first time federal governmental legislation has specifically endorsed pet microchipping. Congress has also directed the Animal and Plant Health Inspection Service (APHIS) to develop appropriate regulations that best serve the interests of pet owners. *(Business Wire)*

> CANADA - AVIAN INFLUENZA A recent survey of 4,800 healthy wild birds had found the H5 virus in 28 ducks in the eastern province of Quebec and five in the central province of Manitoba, but it is unlikely to be the killer H5N1 strain which has spread from Southeast Asia to Europe. *(AnimalNet - Reuters)*

> BRAZIL - FMD Nineteen additional cases of food-and-mouth disease were found in four farms outside of Mato Grosso do Sul in Brazil, where the initial outbreak was announced earlier this month near the Paraguay border. Five more cases were confirmed, bringing the total number to 10. Brazil is the world's leading beef exporter; more than 40 countries have now banned or restricted meat imports from Brazil. The Brazilian government has ordered infected herds to be slaughtered and promised to compensate farmers who had vaccinated their animals. *(Pork Alert)*

> THAILAND - AVIAN INFLUENZA Officials reported an outbreak of the H5N1 strain of avian influenza in chickens in two Thai provinces. *(AnimalNet - Agence France Presse)*

> RUSSIA - AVIAN INFLUENZA A fresh outbreak of the avian influenza virus strain H5N1 has been confirmed in a village in the Urals in Russia. 13 birds died of the virus, and a total of 156 birds in the village, including geese, chicken and ducks, were killed as a sanitary measure. *(AnimalNet - Agence France Presse)*

> JAPAN - AVIAN INFLUENZA Authorities in Japan reported signs of avian influenza at a farm in northern Japan, and plan to kill 82,000 chickens. The farm in Ibaraki prefecture, just north east of Tokyo, was already inside a quarantined area because of past outbreaks. 1.5 million birds have already been culled in the area. *(AnimalNet - Agence France Presse)*

> GREECE - NO AVIAN INFLUENZA The Athens News Agency reported that final tests in Britain and Greece showed a Greek turkey suspected of avian influenza did not carry the disease. *(AnimalNet - Reuters)*

> US - COOL DELAYED Mandatory country-of-origin labeling (COOL) was delayed until September 2008, a year after the next farm bill is expected to be enacted, in action last week in Washington, D.C. The decision was part of the final deal House and Senate conferees made in private last week on agricultural appropriations for fiscal 2006. *(Feedstuffs online)*

> JAPAN - BSE REPORT PASSES FOOD SAFETY COMMISSION Japan's Food Safety Commission approved a report on BSE, bringing the country one step closer to the resumption of U.S. beef imports. The draft report, issued Monday by the commission's panel on BSE, found that the risk of infection from American beef is extremely low if proper precautions are taken. The report must now go through public hearings, until Nov. 29, before the Health and Agriculture Ministries can make recommendations to the government about whether to lift Japan's ban. *(AP)*

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BRAKKE CONSULTING VIEWPOINT

At least one of the stories this week covers the importance that even US politicians see for pets. We're not sure what it means to have the government endorsement for microchipping pets; is this a move to create public awareness of the technology so that, down the road, consumers will be conditioned to accept food animals that are microchipped for tracking purposes?

Twenty-One Measurements for Success in the 21st Century

How has your company changed its view on marketing to pet owners in the past 5 years? What percentage of your advertising and marketing dollars are focused on the pet owner, versus the trade channel?

In 2000, we suggested that big brands with heavy consumer advertising would dominate the market. We continue to be of the opinion that "brand awareness" and "image" trumps low pricing in most consumer minds. That is why generic products in the leading categories have taken only a minor share of the market. We see little change in this trend over the next 5 years.

Have a great weekend!!

Ron Brakke

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