
**Brakke Consulting's
Animal Health News & Notes for November 11, 2005**
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COMPANY EARNINGS RELEASES

> **Bayer** reported results for the third quarter of 2005. Animal Health sales increased 8.7% to EUR 212 million (\$255 million), due primarily to good results in the Advantage line. Sales for the first nine months were EUR 640 million (\$770 million), an increase of 7% compared the comparable period in 2004. (*company website*)

> **Alpharma** Inc. reported results for the third quarter ended September 30, 2005. Third quarter Animal Health revenues increased 7% to \$79.6 million compared to \$74.6 million in 2004. Excluding the positive impact of foreign currency and revenues related to the Aquatics operation which was sold in the third quarter of 2004, revenues grew 8%. Revenue growth was driven by strong sales in US livestock markets and in the European region. (*PRNewswire*)

> **CEVA Sante Animale** announced results for the first 9 months of the year 2005. Turnover reached EUR 182 million (\$219 million), increasing by 11% compared to the same period in 2004. Animal health products sales increased by 12% to EUR 177 million (\$213 million). (*company press release*)

> **MWI Veterinary Supply** announced financial results for its fourth quarter and for its year ended on September 30, 2005. Total revenues grew 28% to \$133 million for the quarter ended

September 30, 2005. Net income increased 112% to \$899,000 for the quarter ended September 30, 2005. For the year, total revenues grew 26.0% to \$497 million. Net income increased 81% to \$4.6 million for the year ended September 30, 2005. (*PRNewswire*)

> **Bioniche Life Sciences** Inc. released first quarter results for fiscal 2006 (for the period ended September 30, 2005). Animal Health sales were C\$5.6 million (US\$4.8 million) for the first quarter of fiscal 2006 compared to C\$5.9 million (US\$5.0 million) in the same period last year. This decrease is due to increased competition in the Australian marketplace. (*Biotech Intelligence*)

> **Peptech Ltd** reported results for the year ended September 30, 2005. Animal health sales increased to A\$1.3 million (US\$1.1 million) on the first sales of Suprelorin in Australia, and Ovuplant in the UK. The company added that it is well placed to continue its global expansion of pet contraceptive, Suprelorin, and mare implant Ovuplant, and plans to seek US regulatory approval for the drugs. (*TheAge.com*)

> **Doane Pet Care Company** reported unaudited net sales and earnings results for its fiscal 2005 third quarter. For the third quarter of fiscal 2005, the Company's net sales were \$231 million compared to \$251 million for the third quarter of fiscal 2004, a decrease of 7.8%. This decrease was primarily due to the Company's domestic cost-sharing arrangements, and the related impact of passing through lower commodity costs, and lower domestic sales volume, partially offset by higher European sales volume. The Company reported a net loss of (\$19.0 million) for its fiscal 2005 third quarter compared to a net loss of (\$15.3 million) for its fiscal 2004 third quarter. (*Business Wire*)

> The **Evalis Group** reported turnover of EUR 163 million (\$196 million) in third-quarter 2005, an increase of 1.4%. This rise primarily reflects a pick-up in volumes in France, strong international performance, and lower raw materials prices, which returned to levels comparable with the same period in 2004. Turnover for the first nine months of the year totaled EUR 471 million (\$567 million), against EUR 508 million for the same period last year. At constant exchange rates, turnover was EUR 467 million. (*company website*)

> **Ridley Inc.** reported earnings for its fiscal 2006 first quarter ended September 30, 2005. Revenues were \$121 million for the quarter, compared to revenues of \$118 million in the first quarter of FY 2005. Net earnings for the first quarter of FY 2006 were \$2.5 million, compared with a loss of (\$1.3 million) last year. (*company website*)

> Spectrum Brands, Inc. announced results for its fiscal 2005 fourth quarter ended September 30, 2005. The company reported that **United Industries'** (which includes United Pet Group) fourth quarter sales were \$204.5 million and **Tetra** contributed sales of \$55.8 million. (*company website*)

> **Pilgrim's Pride** reported net income of \$74.7 million for the fourth fiscal quarter ended Oct. 1. Net income for the year-earlier period was \$75.1 million, but excluding non-recurring items, the year-earlier earnings were \$65.6 million. Net sales for the fourth quarter were \$1.483 billion, a slight decrease from \$1.486 billion in sales for the same period last year. For fiscal 2005, Pilgrim's Pride reported adjusted earnings of \$254.2 million, which is an increase from 2004 adjusted earnings of \$157.2 million. The company credited continued strong demand, favorable operating performance and feed-ingredient costs for the positive performance. (*Meating Place*)

> **Premium Standard Farms** reported net income of \$12.2 million for the second quarter, up marginally from the \$11.9 million it earned a year ago. Sales dipped to \$213.2 million from \$218.8 million, due mainly to decreases in live hog and pork prices compared to record prices last year. (*Meating Place*)

BRAKKE CONSULTING, INC.

**COMING SOON!
2005 FLEA & HEARTWORM MARKETS REPORT**

As we've done for the past several years, Brakke Consulting will be publishing an update of our annual report on the US Flea Control and Heartworm Markets in early December. The report will include up-to-date sales data on the leading flea and heartworm products, as well as information on new and developing products.

The 2005 report also includes a survey of small animal veterinarians regarding flea, tick and heartworm products. Veterinarians shared their thoughts on retail sales of products, prescription fulfillment services, incentive programs, and other current topics affecting flea and heartworm product sales, and even supplied open comments to the product manufacturers. Shouldn't you know what your clients are thinking?

The report on the US Flea Control & Heartworm Markets will be available for a purchase price of \$4,500 if ordered BEFORE DECEMBER 1, and \$4,995 after that date.

Please contact Dr. Lynn Fondon at (972) 243-4033 or lfondon@brakkeconsulting.com to pre-order the report or for more information.

COMPANY NEWS RELEASES

> Pedro Lichtinger, President of **Pfizer Animal Health**, will begin his two-year term this month as President of the International Federation for Animal Health (IFAH). IFAH represents research-based companies around the world that discover, develop, manufacture and market veterinary medicines, vaccines and other healthcare products for companion animals and livestock. *(PRNewswire)*

> The FDA amended the animal drug regulations to reflect approval of an abbreviated new animal drug application (ANADA) filed by **Cross Vetpharm Group Ltd.** The ANADA provides for use of tetracycline hydrochloride soluble powder in the drinking water of calves, swine, chickens, and turkeys for the treatment and control of various bacterial infections. *(AnimalNet - Federal Register)*

> Balchem Corp. announced that its wholly owned subsidiary **Balchem Minerals Corp.** entered into a definitive agreement to acquire **Chelated Minerals Corp. (CMC)**, a privately held manufacturer and global marketer of mineral nutritional supplements for livestock, pet, poultry and aquaculture feeds for \$17.35 million. The parties estimate that the transaction will close within the next two months after satisfaction of customary conditions contained in the agreement. *(Feedstuffs online)*

> **Bamboo**, a division of Munchkin, Inc., announced it has acquired the North and South American distribution and intellectual property rights to the Dog Control line of collar, harness and leash products from **Incept GmbH & Co.** The line was introduced in Europe several years ago, and in the US in October, and will be marketed under the Quick Control brand name. Financial terms were not disclosed. *(Pet Business)*

ANIMAL HEALTH NEWS

> CHINA - AVIAN INFLUENZA China reported that the latest outbreak of avian influenza killed 8,940 chickens in Northeast China's Liaoning Province. Local agricultural and health authorities have culled 369,900 poultry within a 3-kilometre radius of the outbreak site and vaccinated 13.9 million others. Chinese officials also destroyed 6 million fowl and closed all 168 live poultry markets in Beijing as part of efforts to prevent bird flu. Authorities in Beijing went door-to-door seizing chickens and ducks being raised in private homes, while Shanghai banned sales of live ducks, quail and other birds. (*China Daily, Meating Place*)

> VIETNAM - AVIAN INFLUENZA Vietnam confirmed new avian influenza outbreaks among poultry in three northern villages. More than 3,000 poultry died or were culled in those villages, which have been disinfected. Villages that border the affected areas have also been disinfected, and poultry have been vaccinated to prevent the virus from spreading. (*Meating Place*)

> JAPAN - AVIAN INFLUENZA Signs of avian influenza at a farm in northern Japan have prompted officials there to order the cull of 180,000 chickens. Antibody tests on 80 chickens showed that they had been exposed to a bird flu virus from the H5 family, but survived. No active bird flu viruses were found. Authorities in Ibaraki prefecture, where the latest outbreak occurred, have already killed around 1.5 million birds since finding signs for the deadly H5N1 virus at several farms in the area. (*Meating Place*)

> US - PUPPY MILL LEGISLATION DEBATED A Senate subcommittee this week hears testimony on legislation that would give the USDA the power to regulate breeders and dealers who sell dogs and puppies directly to consumers. The Animal Welfare Act, passed in 1967, set standards for the treatment of animals by breeders, exhibitors, transporters and researchers. It exempts "retail pet stores," and large breeding operations are considered retailers by the USDA if they sell directly to consumers. The bill's sponsor says that his bill would give the USDA authority over those who sell more than 25 dogs per year. People who raise up to seven litters a year on their own premises would be exempted. The bill is supported by the Humane Society, People for the Ethical Treatment of Animals and the American Kennel Club. (*AP*)

> UK - NEW BSE RULES IMPLEMENTED The rule which stopped older cattle from entering the human food chain in the United Kingdom since March 1996 has been lifted and replaced with a BSE testing regime. The end of the Over 30-Month Rule follows acceptance by the government in September of advice from the Food Standards Agency that a robust testing regime has been developed and implemented. Cattle born before August 1, 1996 will continue to be excluded from the food chain. The main public health protection measure - the removal of specified risk material - will continue to be rigorously enforced by the Meat Hygiene Service. (*Wattnet Meatnews*)

> US - NEW TAG TECHNOLOGY IBM may have come up with a possible solution to the huge privacy concerns surrounding the implementation and use of RFID technology with a new strategy for deactivation radio frequency identification tags. Researchers devised an alternative to the current "kill" commands, which from a consumer's perspective, offer no visible indication that a tag has actually been killed. IBM's new device offers consumers two ways to visibly deactivate a RFID tag after making a purchase. IBM's proposed privacy device is a "clipped tag," which permits the tag to be deactivated mechanically by allowing the tag's antenna to be removed by the consumer. The RFID tag would be manufactured so that all or part of the antenna is exposed, enabling consumers to deactivate the tag by scratching off the antenna. Another possibility calls for a perforated antenna, similar to the way postage stamps are connected to each other. (*Wattnet Meatnews*)

BRAKKE CONSULTING VIEWPOINT

The companies reporting their third quarter results for the animal health segment this week continue to be positive in most cases. While some management teams are reporting some slowing in the market during the current quarter, we still expect overall market sales growth to be in the range of 10% for the full year.

Twenty-One Measurements for Success in the 21st Century

Is your firm keeping pace with changing customer profiles?

We predicted in 2000 that, by 2005, about 80% of the pork produced in the US would be owned by a few large integrators. While it appears that the top 10 do not quite have 80% of the total production, they are moving towards that number rapidly.

During the past 5 years, there have been similar consolidations in the dairy area, with dairies of more than 500 cows now making up 45% of the total herd. Similar consolidation trends can be seen in veterinary clinics, large-format pet stores, mass marketers and grocery chains.

As forecast in 2000, these large operations are requiring different types of services and support from their suppliers. Have you adjusted your sales and marketing staffs to properly service these mega-customers? Are you spending an appropriate amount of time managing the changing landscape of your customers?

Have a Great Weekend!!

Ron Brakke

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