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**Brakke Consulting's  
Animal Health News & Notes for November 12, 2004**  
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**NOW AVAILABLE FOR PRE-ORDERING:  
2004 US FLEA CONTROL & HEARTWORM MARKETS**  
*all-new module with transactional data available!*  
*see below for details*

**ANNOUNCING ANIMAL HEALTH INDUSTRY BRIEFING  
NOV. 29 - NEW YORK CITY** *see below for details*

IN THE NEWS:

earnings news:

Doane Pet Care  
Pilgrim's Pride  
Premium Standard Farms  
United Industries

other news:

MetaMorphix  
Smithfield

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## **COMPANY EARNINGS RELEASES**

> **Doane Pet Care Company** reported results for its third quarter ended October 2, 2004. For the third quarter of fiscal 2004, the Company's net sales increased 3.0% to \$251 million from \$244 million in the third quarter of fiscal 2003. The sales increase was primarily due to the favorable impact of the Company's 2004 domestic price increases offset by lower domestic sales volume. The Company reported a net loss of (\$15.3) million for its 2004 third quarter compared to a net loss of (\$10.6) million for the 2003 third quarter. The 2004 domestic price increases moderated the impact of substantially higher global commodity costs and lower domestic sales volume. (*Business Wire*)

> **United Industries Corporation** announced operating results for the third quarter ended September 30, 2004. Net sales in the Pet division were \$43.1 million during the two months ended September 30, 2004. Pro forma net sales in the Pet division were \$63.2 million during the third quarter of 2004 compared to \$59.0 million in the third quarter of 2003, on a stand-alone basis. United Industries acquired United Pet Group in July 2004. The Company's pet supplies brands include 8-in-1, Nature's Miracle, Dingo, Lazy Pet, Marineland, Perfecto, Aquarium Systems and JungleTalk. (*PRNewswire*)

> **Pilgrim's Pride** reported net income of \$72 million for the fourth quarter ended October 2, compared to earnings of \$25 million for the fourth quarter of 2003. Fourth quarter sales soared 110% to \$1.49 billion, from \$710 million a year ago. For the fiscal year ended October 2, Pilgrim's Pride reported net income of \$125.4 million compared to \$56 million for fiscal 2003. Full year sales totaled \$5.36 billion, up from \$2.62 billion a year ago. The company credited the acquisition of ConAgra Foods' chicken unit and an insurance gain for fourth-quarter profits that nearly tripled compared to the same period last year. (*Meating Place*)

> **PSF Group Holdings**, Inc., the parent company of **Premium Standard Farms**, Inc., reported results for its fiscal year 2005 second quarter ended September 25, 2004. Net sales for the quarter totaled \$219 million, up 23% from \$178 million in the comparable period last year. Sales were up due to higher product prices and an increase in volume. Net income for the second quarter was \$11.9 million compared to net income of \$1.4 million for the second quarter of last year. (PRNewswire)

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**BRAKKE CONSULTING, INC.**  
**COMING SOON!**  
**2004 FLEA & HEARTWORM MARKETS REPORT**  
***New Data Module Available!***

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 and a discussion of the recent FDA recall of ProHeart 6.

The 2004 report includes a survey of small animal veterinarians regarding flea, tick and heartworm products. The survey also investigates practitioner opinion on ProHeart 6, including which products veterinarians are now recommending in its place, experience with adverse reactions, and whether they plan to use ProHeart 6 if it re-enters the market.

**New Data Module**

In addition, this year we are pleased to announce the availability of a new module in the Flea & Heartworm report. This new module will contain transactional information from over 150 veterinary practices, covering flea and heartworm products. The module provides up-to-the-minute information at the client purchase level, including but not limited to:

- average number of products carried per clinic
- average % of hospital flea product revenues contributed by best-selling product
- average % of hospital heartworm preventative revenues contributed by best-selling product
- average client compliance rates
- % of clients who switched brands within the past year
- products to which former ProHeart 6 users are switching

The traditional report on the US Flea Control & Heartworm Markets will be available for a purchase price of \$4,000 if ordered BEFORE DECEMBER 1, and \$4,500 after that date. The new Transactional Data Module is available for an additional \$3,000.

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

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**COMPANY NEWS RELEASES**

> **Smithfield Foods** announced that it will pay \$2 million to settle a civil suit accusing the company of violating antitrust laws as it bought stock in **IBP Inc.** Smithfield allegedly twice failed to comply with pre-merger notification requirements before making certain acquisitions of stock in IBP. The settlement, filed in US District Court and subject to a judge's order, stems from a \$5.47 million claim the government sought in February 2003. The Justice Department maintains that the acquisition of stock in a firm considered as a takeover target or merger partner is not exempt from the filing requirements, while Smithfield says it made the acquisitions properly because they were solely for investment. Smithfield said in a statement that is convinced that the company complied fully with the law, but is agreeing to settle the matter to avoid the risk and expense of further

litigation. (*Meating Place*)

> **MetaMorphix**, Inc. announced that it has been named by Scientific American magazine as a Business Leader on the 2004 Scientific American 50, the magazine's annual list recognizing outstanding leadership in science and technology. MetaMorphix was selected by the magazine as a Business Leader in Agriculture because of work over the last year in livestock genomics. (*PRNewswire*)

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**BRAKKE CONSULTING INDUSTRY BRIEFING  
NEW YORK CITY - NOV. 29, 2004**

Brakke Consulting will conduct a 2 - 3 hour briefing and presentation on the status of the animal health and pet industry in New York City at the Princeton Club on November 29th, 2004, from 1:30 to 4:00 pm. The key topics that will be covered by Senior Consultants during the briefing will be:

- A financial review and update related to the market place in 2004 for all market segments
- Where the values are in various types of companies serving the segments
  - Major manufacturers
  - Distributors (Veterinary and OTC)
  - Smaller companies (Sales under \$30 million)
- Technologies likely to impact the market place 2005 - 2007
- Where companies should invest for the future
- Summary of BCI views on 2005 for the leading companies and market segments

The cost of the Animal Health Industry briefing will be \$350 per attendee, with a discount for multiple registrations from one company. We believe this briefing will be very important for companies currently involved in the industry, investors considering various investments, and new companies with technology wishing to enter the various market segments.

Space will be limited for this briefing, so please call Jane Morgan at 972-243-4033 or visit our website ([www.BrakkeConsulting.com](http://www.BrakkeConsulting.com)) to reserve your seat.

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**ANIMAL HEALTH NEWS**

> **EU - WTO COMPLAINT** The European Union has filed a formal complaint with the World Trade Organization over trade sanctions applied by the US and Canada concerning the EU's ban on imports of hormone-treated beef products. According to an AP report, the EU states that it modified its ban on the hormone-treated beef, but that neither nation has lifted its sanctions. After the US complained that the EU ban, passed in 1998, was not based on scientific evidence, the EU modified its ban, but kept a permanent ban on any beef exposed to the hormone estradiol 17b and a limited ban on five other hormones, including testosterone and progesterone. Neither the US nor Canada modified their duties on a long list of European products, which cost EU producers about \$125 million a year. (*Meating Place*)

> **CHINA - US POULTRY IMPORTS** USDA announced that China has ended its ban on the importation of chicken products from the US, except for chicken produced in Rhode Island and Connecticut, which have no commercial broiler production. The ban was imposed February 10 after cases of avian influenza was found in several US poultry flocks. Chicken sales to China are down by more than 33% this year. (*Wattnet Meatnews*)

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**BRAKKE CONSULTING VIEWPOINT**

It was a great pleasure to participate in the InnoVet 2004 New Technology Conference this week in Saint-Hyacinthe, Quebec, Canada. The Canadian biotech industry will play an important role in the development of future technologies for the animal health-related markets. As part of the two-day program, attendees participated in the official opening of the Institut de Biotechnologie Veterinaire et Alimentaire. This multimillion dollar facility has many unique characteristics that can be utilized by both large and small companies interested in developing new vaccines for animal health. We'll be providing additional information on this facility in future newsletters.

You can tell by the lack of news this week that many companies are "holed up" in the final budget process. We're hopeful that a number of these companies have included time with consultants in next year's budget.

We look forward to seeing many of you at the Animal Health Industry Briefing in New York City on November 29th. We believe that participants will find our firm's viewpoint of 2004's industry events useful.

Have a great weekend.

*Ron Brakke*

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