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**Brakke Consulting's**  
**Animal Health News & Notes for November 19, 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:

Central Garden & Pet  
CEVA  
Heska  
Gold Kist  
KMG Chemicals  
PETCO  
PETsMART  
Synbiotics  
Tyson Foods

other news:

Aviagen  
Bayer  
British United Turkeys of America  
ImmuCell  
Lemos Feed & Pet Supply  
MVP Labs  
Nagrom  
Nutrition 21  
Virbac

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## **COMPANY EARNINGS RELEASES**

> **CEVA Sante Animale** reported results for the first nine months of 2004. The CEVA group achieved turnover of 165 million euros (\$203 million), a 7.2% growth compared to the same period of year 2003. The companion animal ranges increased by 14% in Europe, particularly. The International Zone of the Group remains strongly affected by the avian influenza in South East Asia and exchange rates between euro and US dollar, which restrain exportations from European manufacturing plants. (*company information*)

> **Synbiotics** announced revenues were \$4,333,000 for the third quarter of 2004, an increase of 4% over the prior year period. The increase is primarily due to the re-launch of Synbiotics' Witness feline leukemia virus product and increased sales of instrument products, as well as a 9% increase in foreign currency exchange rates. Synbiotics Corporation recorded a net loss for the third quarter of 2004 of (\$164,000) compared to a net loss of (\$252,000) for the third quarter of 2003. (*Business Wire*)

> **Heska** reported results for the third quarter of 2004. Total revenues for the quarter were \$15.9 million, an increase of 1.5% compared to the third quarter of 2003. Net loss for the quarter was (\$876,000), an improvement from the net loss of (\$1,202,000) in the third quarter of 2003. This improvement was due to lower operating expenses somewhat offset by lower gross margins on product sales. *(company website)*

> **Central Garden & Pet** Company announced record fourth quarter and full year results for its fiscal year ended September 25, 2004. For the fourth quarter of fiscal 2004, the Company reported net sales of \$311 million, up 21% from \$257 million in the comparable 2003 period. Net income for the quarter increased 13% to a record \$5.2 million. Net sales for fiscal year 2004 were \$1.27 billion, an increase of 11% from \$1.15 billion in fiscal 2003. Net income for the year increased 19% to a record \$41.3 million from \$34.6 million in the prior year. *(company website)*

> **PETSMART**, Inc. reported net income of \$35.9 million for the third quarter of fiscal 2004, an increase of 21% compared with the third quarter of 2003. Net sales for the third quarter were \$827 million, an increase of 13% compared with the same period last year. Comparable store sales, or sales in stores open at least a year, grew 6.7% percent in the third quarter of 2003. *(company website)*

> **PETCO Animal Supplies**, Inc. reported financial results for the third quarter ended October 30, 2004. Net sales in the third quarter of 2004 were \$456 million with a comparable store net sales increase of 7.0%. Overall, net sales increased 12.9% over the third quarter of fiscal 2003. Net earnings for the third quarter increased to \$21.0 million compared to net earnings of \$19.2 million in the prior year third quarter. *(company website)*

> **Tyson Foods** Inc. reported results for the fourth quarter and year ended October 2, 2004. Quarterly income was \$66 million, down from \$147 million in the year-ago period. The company said its earnings were impacted by a charge from writing down and impairing intangible assets. Sales for the period gained 9% to \$7.15 billion from \$6.57 billion a year earlier, but Tyson said the impact of rising prices for grain used for animal feed eroded its gross margin. For the year, Tyson earned \$403 million on sales of \$26.44 billion. The company had earnings of \$337 million with sales of \$24.55 billion in 2003. *(AP)*

> **Gold Kist** reported results for the quarter ended Oct. 2, 2004, the final quarter for which Gold Kist will report as a cooperative, rather than a for-profit company. Net sales for the quarter were \$646.5 million, compared with \$516.7 million for the year-earlier period. The company's net income increased 45% to \$34 million, from \$23.5 million during the same period a year ago. Despite higher feed ingredient costs, healthy demand and strong broiler prices helped boost the company's income and sales. *(Meating Place)*

> **KMG Chemicals**, Inc. announced its unaudited financial results for the first fiscal 2005 quarter ended October 31, 2004. Fiscal first quarter net sales were \$13.59 million, up from \$8.37 million during the year earlier period. Net income was \$672,000 compared to \$319,000 in the comparable period in the prior year. *(company press release)*

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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 100 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**

> **Bayer** announced it has won two battles against unauthorized sellers of Advantage. Bayer filed two lawsuits after learning that **Nagrom, Inc.** and **Lemos Feed & Pet Supply Inc.** pet supplies wholesalers were advertising and selling foreign diverted Advantage directly to pet owners in the US. The US District courts in Kansas and California have barred the companies from selling foreign Advantage products. *(company press release)*

> **Virbac Animal Health** announced the introduction of the C.E.T. Dental Reward. The new treats are the only dental reward coated with chlorhexidine, making them an excellent tool for canine dental care. C.E.T Dental Rewards are available to dog owners as individually wrapped treats. *(company press release)*

> **ImmuCell Corporation** announced that it has bought out certain product license obligations relating to Mast Out and other Nisin-containing animal health products for approximately \$1,000,000. The payment was made from cash on hand. In April 2000, ImmuCell had acquired these exclusive rights through a licensing agreement with **Nutrition 21, Inc.** The buyout transaction eliminates future royalty obligations on Mast Out and related products under that agreement. The buyout also removes the Company's obligation to pay Nutrition 21 \$150,000 upon FDA approval of Mast Out and \$50,000 upon each of the first three regulatory approvals outside of the US. *(company press release)*

> **MVP Laboratories** announced a new focus on providing herd-specific bovine and swine vaccines, which will be branded under the Tailor-Made umbrella name. The isolates for the herd-

specific vaccines come directly from veterinary practitioners through tissue submissions, or via state diagnostic labs, according to the company. (*Feedstuffs*)

> **Aviagen** announced an agreement to acquire the breeding facilities of **British United Turkeys of America** (BUTA), and said it plans to use the site to expand its own turkey genetics business, Nicholas Turkey Breeding Farms (NTBF). This means that BUTA genetics will be pulled from North America, leaving NTBF and Hybrid as the two primary turkey breeders. Financial terms were not disclosed. (*Feedstuffs*)

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

Brasse 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.BrasseConsulting.com](http://www.BrasseConsulting.com)) to reserve your seat.

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**ANIMAL AGRICULTURE ALLIANCE  
PRACTICAL ANTITERRORIST TRAINING  
December 6 - 8, 2004**

The Animal Agriculture Alliance (Alliance) announced it has partnered with Law Enforcement Academic Research Network (LEARN), a company specializing in threat management systems, to offer an anti-terrorism course. This course of intense, hands-on training, "Practical Anti-Terrorism Training for Food, Agriculture and Animal Industries: A Common Sense Approach," is scheduled for December 6 - 8, in Atlanta, Georgia. A second course is planned for Fayetteville, Arkansas from March 8 - 10. For more details, visit the AAA website at [www.animalagalliance.org](http://www.animalagalliance.org) or email [info@animalagalliance.org](mailto:info@animalagalliance.org). The early registration discount ends Friday, November 19.

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**ANIMAL HEALTH NEWS**

> **US - BSE TEST INCONCLUSIVE** The USDA announced that it has found an "inconclusive" BSE test in its expanded program for BSE. The inconclusive was reported as the result of two rapid tests conducted on the animal. Confirmatory testing is being done at the National Veterinary

Services Laboratory in Ames, Iowa, and results are due in 4 to 10 days. Initial traceback of the animal has been initiated in the event that the confirmatory test is positive. USDA released no information about the animal or its location other than to say it was from the "targeted, high-risk group." None of the tissues from the animal have entered the food or feed chain. (*Feedstuffs*)

> US - ANIMAL ID A pilot program incorporating ranchers from six western states and Hawaii will launch before the end of the month, ultimately tracking the life cycle of some 35,000 beef cattle, dairy cows, bison and sheep. The bulk of the animals will be beef cattle. The goal of the Northwest Pilot Project program, which is one of several launching over the next few months, is to make it possible to identify the birth source of an animal believed to be infected with BSE or other dangerous diseases within 48 hours of discovery. (*Meating Place*)

> US - PETS AID IN WEIGHT LOSS People looking for a way to lose weight may want to trade in pills for a pooch. A first-of-its-kind experiment to put people and their pets on a diet and exercise program found that both lost weight and kept it off, though dogs did better than their owners and didn't drive them crazy begging for food. The dog owners did slightly better than the dieters who walked and dieted alone. The study was funded by Hill's Pet Nutrition. Results were reported this week at the national obesity conference. (*AP*)

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### **BRASSE CONSULTING VIEWPOINT**

We continue to believe as we enter the Holiday Season next week that 2004 will end up will be a successful financial year for most companies. It appears to us that the sales increase for the year will be somewhere in the 5 - 7% range, led by the companion animal area. We find the management of most companies to be positive regarding the potential for 2005. It is interesting to recall how we entered 2004 with the cloud of a BSE case hanging over the food animal business. With some excellent communications management and a strong economy the US beef industry has hardly missed a beat except for exports to Japan.

Yesterday's announcement regarding another suspect BSE case demonstrates how diligent the industry has become in trying to manage events to prevent a beef industry commercial disaster in the event that another case is confirmed in the next few days. This possible BSE case reminds us of just how fragile the beef market could be if confirmed positive and the impact it could have on the beef industry suppliers. Let's all hope that the confirmation test is negative. But if it is positive, we believe the industry is better prepared to manage the negatives than we were last December.

We want to wish all our readers and clients a safe and enjoyable Thanksgiving Week here in the US.

Have a great weekend!!

*Ron Brasse*

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Brasse Consulting, Inc.  
2735 Villa Creek, Suite 140  
Dallas, TX 75234 USA