
**Brakke Consulting's
Animal Health News & Notes for February 2, 2007**
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BRAKKE CONSULTING, INC.

SIGN UP NOW TO ATTEND BRAKKE CONSULTING'S 2007 INDUSTRY OVERVIEW

Brakke Consulting will once again be presenting our 2007 Industry Overview at the Western Veterinary Conference.

WVC (Western Veterinary Conference)

The 2007 Industry Overview will be presented on Monday, February 19 from 2:00 pm – 4:00 pm at the Four Seasons hotel adjacent to the Mandalay Bay.

To register online, go to the home page at www.brakkeconsulting.com and click on the registration link.

www.BrakkeConsulting.com

COMPANY EARNINGS RELEASES

> Merck reported financial results for the fourth quarter and full year 2006. **Merial's** fourth quarter sales were \$489 million, an increase of 5% compared to the fourth quarter of 2005. Full-year sales were \$2,195 million, an increase of 10% compared to 2005. *(company website)*

> Wyeth reported results for the 2006 fourth quarter and full year ended December 31, 2006. Worldwide net revenue for **Fort Dodge Animal Health** increased 11% to \$204 million for the 2006 fourth quarter, and 6% to \$936 million for the 2006 full year. The increase in the 2006 full year was due primarily to higher sales of companion animal and livestock products, partially offset by lower sales of equine products. *(company website)*

> Eli Lilly and Company announced financial results for the fourth quarter and full year of 2006. Worldwide sales of animal health division **Elanco** in the fourth quarter were \$260 million, an increase of 3% compared with the fourth quarter of 2005. Total Elanco sales for the year were \$876 million, an increase of 1% compared to 2005. *(company website)*

> **Schering-Plough** reported financial results for the 2006 fourth quarter and full year. Animal Health sales in the fourth quarter increased 6% to \$234 million, reflecting growth across most geographic areas, led by the companion animal, poultry and swine product lines. For the full year, Animal Health sales increased 7% to \$910 million. *(company press release)*

> Colgate-Palmolive Company reported financial results for the fourth quarter and full year 2006. In the fourth quarter, **Hill's Pet Nutrition** sales grew 12% to \$459 million. Sales for the full year were \$1,669 million, an increase of 10% over 2005. *(company press release)*

> **MWI Veterinary Supply, Inc.** announced financial results for its first quarter ended December 31, 2006. Revenues were \$161 million for the quarter, approximately 17% higher than revenues for the same period in the previous fiscal year. Net income for the quarter was \$4.6 million, an increase of \$0.2 million from the same period in the prior fiscal year, and includes the effect of rebate earnings of approximately \$2.5 million (pre-tax) earned in fiscal year 2006 that historically would have been earned in the fiscal year 2007 first quarter ended December 31, 2006. *(Market Wire)*

> **Tyson Foods Inc.** reported that net income grew to \$57 million in the three months ended Dec. 30. The company netted \$39 million during the same period a year ago. Sales inched up 2% to almost \$6.6 billion from about \$6.5 billion last year. The company said its chicken business was profitable, and its pork and prepared foods segments had profits in "normalized ranges." Though beef was still in the red, it showed improvement, narrowing the loss to (\$23 million) from (\$64 million) a year ago. *(Meating Place)*

> **Pilgrim's Pride Corporation** reported a net loss of (\$8.7 million) on total sales of \$1.34 billion for the first quarter ended December 30, 2006. For the comparable period in the prior year, the Company reported net income of \$25.7 million on total sales of \$1.34 billion. *(company website)*

> **Premium Standards Farms Inc.** reported net income of \$2.9 million for the third quarter ended Dec. 23, 2006, compared with a net income of \$13.8 million during the same period last year. This includes costs related to its proposed merger with Smithfield Foods Inc. of \$2.8 million. Net sales for the quarter were \$224 million, down 7.7% from \$243 million last year. *(Meating Place)*

COMPANY NEWS RELEASES

> **Animal Health International Inc. (Walco)** raised \$129.8 million in an initial public offering that was priced in the middle of the forecast range. The 11.8-million-share offering was priced at \$11

per share. AHI began its first day of trading by opening at \$12 a share, 9% percent above its IPO price. (*Reuters, Business Week*)

> **MMI Genomics**, a wholly-owned subsidiary of **MetaMorphix**, Inc., announced the launch of the first commercial, DNA-based, diagnostic test that can genetically determine the breed composition of dogs. Canine Heritage is a diagnostic test that uses MetaMorphix's state-of-the-art, SNP-based, DNA technology to certify up to 38 major breeds. The Canine Heritage test requires only a cheek swab sample to be mailed to the company for analysis. Results are returned to owners in 4-6 weeks. (*Business Wire*)

> **Cargill and MMI Genomics**, a wholly owned subsidiary of MetaMorphix, announced the launch of two new breeding tools for the cattle industry. Tru-Marbling and Tru-Tenderness use DNA-based selection to allow livestock breeders to determine the genetic potential of beef cattle in the areas of marbling and tenderness. (*Meating Place*)

> **Peptech Animal Health** announced the Australian launch of its advanced canine contraceptive Suprelorin12. Suprelorin12 is the next generation of PAH's synthetic hormone analogue alternative to surgical castration in male dogs. The new product has a 12-month duration of action, which is double that of original Suprelorin. Implants of Suprelorin have been shown to be effective in treating benign prostate hyperplasia, and recent studies have shown that Suprelorin and Suprelorin12 are effective in treating incontinence in spayed bitches. (*Animal Pharm*)

> **Pala-Tech Laboratories**, Inc. introduced Potassium Citrate Plus Cranberry Granules, a chicken-flavored product that promotes urinary tract health and helps prevent calcium oxalate bladder stones in dogs and cats. According to the company, this is the industry's first formulation that contains potassium citrate plus cranberry extract to enhance urinary tract health. The granules come in a 300-gram container and are sprinkled on or mixed with a pet's food. (*company press release*)

> **Maple Leaf Foods** Inc. announced that it endorses the direction of the US industry in phasing out the use of sow gestation stalls in favor of group housing, and will follow this initiative at all company-owned hog production operations within the next 10 years. (*Feedstuffs online*)

ANIMAL HEALTH NEWS

> **RUSSIA - AVIAN INFLUENZA** An outbreak of avian influenza has been registered in southern Russia, and news reports stated that the cases involved the H5N1 strain. The virus killed birds at three farms or households in the Krasnodar territory. (*AnimalNet - AP*)

> **US - CATTLE ABORTION VACCINE** Researchers at the UC-Davis School of Veterinary Medicine are working to develop a vaccine to prevent a foothill abortion, a bacterial disease that annually causes the loss of 45,000 to 90,000 calves to California cattle producers. The disease is transmitted by bites from the pajarosello tick. Although infected pregnant cows show no obvious clinical symptoms, they will abort their calves anywhere between six to nine months into the pregnancy. (*Drovers Alert*)

> **US - BSE POSSIBLY CAUSED BY VIRUS** A new study by Yale School of Medicine researchers published in the Proceedings of the National Academy of Science bolsters the theory that a virus causes spongiform encephalopathies of the brain, such as BSE and Creutzfeldt-Jakob (CJD) disease, rather than prion proteins, which are normally produced throughout life. The researchers infected cell lines with either scrapie or CJD agents. Examining the cultures using electron microscopy, they found an abundance of 25 nm virus-like particles. They also found that the particles did not bind antibodies for the prion protein, indicating they were not

composed of prion protein. The development of the particles was independent of pathological changes or neuronal specialization, and preparations with an abundance of these particles correlated with high levels of infectivity, whereas the presence of prion proteins did not. (*Feedstuffs online*)

> US - TV FOR CATTLEMEN The National Cattlemen's Beef Association (NCBA) will launch Cattlemen to Cattlemen, a new weekly television program for America's cattle farmers and ranchers on RFD-TV. Cattlemen to Cattlemen will include interviews with high-profile individuals in the cattle industry. Cattlemen to Cattlemen offers the latest on cattle production and herd management, and discusses some of the industry's hottest topics, from international trade to animal ID. (*Cattle Network*)

BRAKKE CONSULTING VIEWPOINT

The company year-end reports flowed in this week as expected. All of the reports confirmed our analysis and predictions for the year. You'll note that the companies reporting the higher percentage increases refer to companion animal products as a reason. We're of the opinion that companion animal will continue to be the leading growth area in 2007. A portion of this growth depends on some timely product approvals at FDA, EPA or USDA, so there is risk.

What is your guess for 2007 on "ethanol mania"? In a couple of articles I read this week it looks like the financial community is already voting via the stock prices of ethanol related companies and it's not "pretty". If the financial community has it right there may be more corn for food production in 2007 than previously thought. I guess we'll just have to wait and see.

Have a great weekend and eat more than your share of animal protein at the "Super Bowl Party".

Ron Brakke

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