
**Brakke Consulting's
Animal Health News & Notes for February 6, 2004**
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"Your Customers, Now and in the Future"

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COMPANY EARNINGS RELEASES

> Aventis reported results for the year-end 2003 for its animal health division **Merial**. Sales by the Merial 50-50 joint venture with Merck & Co., which is accounted for using the equity method, amounted to 1,626 million euros in 2003 compared to 1,825 million euros in 2002, a decline of 11%. The company reported a +3% activity variance. (*company website*)

> Akzo Nobel reported results for the 4th quarter and year-end 2003 for its animal health division **Intervet**. Sales for

the 4th quarter were 256 million euros (\$320 million), a decrease of 3% compared to the fourth quarter of 2002. Sales for the year 2003 were 1,010 million euros (\$1,270 million), a decrease of 7% compared to 2002. Intervet felt the impact of the weaker US dollar and difficult market conditions in the Americas, while performance in Europe was better. (*company website*)

> Colgate-Palmolive reported results for the 4th quarter for **Hill's Pet Nutrition**. Sales rose 9% in the quarter to an all-time record level of \$359 million. For the full year, sales increased 11% to \$1,316 million. Hills' business in the US specialty retail channel was driven by the continued success of Science Diet Nature's Best and Science Diet Advanced Protection. Fueling growth throughout the veterinary channel is Prescription Diet Feline m/d, a low carbohydrate diet clinically proven to alter a cat's metabolism for effective weight loss and to help nutritionally manage diabetes. (*company website*)

> **Central Garden & Pet** Company announced its financial results for the fiscal first quarter of 2004, ended December 27, 2003. Net sales for the first quarter were \$222 million, a 5% increase from the comparable fiscal 2003 period. The Company recorded a net loss for the quarter of \$645,000 compared with a net loss of \$717,000 in the comparable year-ago period. Central typically reports a loss in the three-month period ending in December, which is the slowest time of the year for the garden industry. (*Business Wire*)

**Brakke Consulting's
2004 Animal Health and Nutrition Overview
"Your Customers, Now and in the Future"**

- how are your customers changing?
- is your organization prepared for these changes?
- what is happening in the personnel management area in animal health?
- how are distributors viewed by their customers?
- what have been the successes and challenges for the leading animal health companies?
- market trends and activities in 2003 - 2004
- the Brakke industry outlook for 2004

All these questions will be reviewed and answered at our scheduled seminars. The Overview can also be individually scheduled for your company's management team. We guarantee that the presentation will be challenging and will cause some rethinking of your business plan.

The Overview will be presented Monday, February 16 at the Western Veterinary Conference in Las Vegas. Seating is limited, so reserve your place now. The early-bird discount is available only until Monday, February 2.

For more details or to reserve your seat, please call Jane Morgan at 972-243-4033 or email jmorgan@brakkeconsulting.com, or register online at www.brakkeconsulting.com.

COMPANY NEWS RELEASES

> **Merial** announced the launch of e-commerce capabilities on its IGENITY Web site, igenity.com. Both IGENITY.com and its new e-commerce business capabilities are initiatives designed to further enhance Merial's support of the IGENITY L service, a recently launched cattle DNA testing service. This interactive e-commerce site allows producers to order IGENITY L test kits, receive confidential test results, evaluate test information and explore information about DNA testing to determine the leptin genotype of cattle. (*company press release*)

> **Diversa Corp** and **Bayer** Animal Health announced a collaboration to develop and market products to prevent infectious diseases in fish. Diversa and Bayer will work together to develop and register an existing pipeline of microbially produced vaccines for aquaculture. Originally developed by a Bayer venture, the vaccines will be manufactured by Diversa and marketed and distributed by Bayer in designated markets. Financial terms were not disclosed. (*Feedstuffs*)

> In connection with the ongoing review of the company's financial reporting, **Virbac Corporation** announced that Thomas L. Bell, formerly a director and the Chief Executive Officer of the Company, and Joseph A. Rougraff, formerly Chief Financial Officer and Secretary of the Company, have resigned from all positions they held with Virbac Corporation and its affiliates effective as of the close of business Tuesday, January 27, 2004. As previously announced on December 18, 2003, Mr. Bell had been on leave and David G. Eller had been named Interim Chief Executive Officer. Following Mr. Bell's resignation, Mr. Eller has been named Chief Executive Officer of Virbac Corporation. (*Business Wire*)

> **Hill's** announced that it will provide more than \$1 million in financial support for continuing education at the annual AVMA convention over the next five years. Hill's, a Platinum Sponsor for the convention, will be designated Title Sponsor for the Opening General Session. Hill's will continue to fund the entire educational program for technicians, and will also assist in designing the convention program's Grid-At-A-Glance, a quick reference grid. (*company press release*)

> **Del Monte Foods Company** announced that its principal operating subsidiary, Del Monte Corporation, and DLM

Foods Canada Corp. have entered into an agreement to sell all its rights in the **IVD** and **Medi-Cal** pet food brands, as well as its rights in the **Techni-Cal** pet food brand, in the US and Canada, to **Royal Canin** for \$82.5 million. DLM Foods Canada Corp. will manufacture certain products for Royal Canin during a transition period after the sale. Del Monte will also perform certain transition services for Royal Canin during agreed-upon post-closing periods. Under the sale agreement, the IVD brand will be sold to Royal Canin U.S.A. and the Medi-Cal and Techni-Cal brands will be sold to Royal Canin Canada. These brands are sold primarily in the US and Canada, and generated approximately \$57 million in revenue in fiscal 2003 for Del Monte Foods. (*Business Wire*)

> **Cargill** announced a \$10 million offer to acquire **Agway Feed & Nutrition**, the only significant business unit left in the bankrupt cooperative Agway Inc. A court auction will be held on a future date chosen by the US bankruptcy court, during which the court will determine if there are higher or better offers than Cargill's. The winning bidder will get all assets of Agway Feed & Nutrition, including 11 operating feed mills that have a capacity of 1.1 million tons per year. Cargill Animal Nutrition's existing mill capacity is approximately 8 million tons per year. (*Feedstuffs*)

> **MMI Genomics**, a wholly-owned subsidiary of **MetaMorphix Inc.**, announced its DNA Certified Beef Program, an integrated food source management system that utilizes patented DNA tags and tagging devices to provide source verification from producer to consumer. The technology uses DNA-based sampling and storage to track individual animals or carcasses. (*company press release*)

> A growing number of the roughly 600 Pennsylvania farmers who had been shipping milk to **Parmalat's** plants in New York and New Jersey have begun selling it elsewhere. The Pennsylvania Milk Marketing Board, which regulates dairy sales, was flooded with calls after producers' checks did not arrive on time Jan. 20. Those payments were all eventually delivered, but the company was also late for payments due last Sunday. Parmalat Dairy USA is a subsidiary of an Italian company engulfed in scandal that is operating under bankruptcy protection. A company spokeswoman said it is current on all payments and blamed delays over the past two weeks in paying producers in Pennsylvania, New York and New Jersey on "issues associated with the transfer of funds through the international banking market." The scandal at Parmalat, based in Parma, Italy, exploded last month when it announced that \$5 billion it had said was in a Bank of America account did not exist. It subsequently sought bankruptcy protection. An audit released this week found Parmalat's debt for the first nine months of 2003 was \$17.9 billion, not the \$2.3 billion it had previously reported.

Parmalat has 1,300 U.S. employees and 36,000 worldwide.
(AP)

> **PetCARE Television Network**, Inc. will begin trading today under the symbol "PTNW" on the OTCBB. During the past year, PetCARE TV has subscribed more than 3,000 veterinary practices in four countries to its client education programming. Advertisers such as Purina, Nestle and Twentieth Century Fox have invested into the programming that is receiving positive feedback by both consumers and manufacturers. PetCARE TV's primary goal is to provide educational programming focused on optimal healthcare for animal companions and targeted to pet owners worldwide. PetCARE TV programming is obtained through an annual or three-year subscription, with a TV/DVD system included in the three-year plan. (*Business Wire*)

> SPAIN **Smithfield Foods** has purchased roughly 8 million shares of **Campofrio Alimentacion SA**, Spain's largest meat processor for approximately \$87.8 million, giving the Smithfield control of 15.2% of Campofrio's outstanding share capital. Smithfield officials said the stock was purchased in a privately negotiated transaction from a single shareholder. Smithfield already has sizable holdings in Poland, which is slated to join the European Union later this year. Campofrio is the one of Europe's largest diversified meat processors, with estimated annual sales of about euro 1 billion (\$1.25 billion). Primarily a processor of pork and further processed pork products, Campofrio is the market leader in Spain and has operations in Portugal, Russia, Poland, Romania and France, and exports to over 40 countries. (*Meating Place*)

ANIMAL HEALTH NEWS

> Despite massive efforts to stamp out avian influenza virus, the disease continues to spread in poultry producing areas in a number of Asian countries. China has informed FAO that outbreaks occurred in 12 out of the country's 31 provinces. China has asked the UN agency for emergency technical assistance. In Vietnam, it is reported that bird flu has now been confirmed in 53 out of its 64 provinces. Countries and regions where mass culling is ongoing include Thailand, Viet Nam, Indonesia, Pakistan, China and Taiwan province of China. The H5N1 avian influenza virus has emerged in Cambodia, China, Indonesia, Japan, Laos and South Korea, Thailand and Viet Nam, while Taiwan and Pakistan have reported lower pathogenic strains. (*PRNewswire*)

> VIETNAM Preliminary tests have indicated that pigs in Vietnam might be infected with the bird flu virus, according to U.N. officials. Nasal swabs taken from pigs were positive for the virus. The findings are not conclusive, but experts say if the results are confirmed by more rigorous tests, the level of

concern over the outbreak of the H5N1 virus sweeping Asia will certainly intensify, though it is too early to tell by how much. (AP)

> Health and food experts from around the world opened an emergency meeting Tuesday on Asia's avian influenza outbreak as the death toll rose to 15 and U.N. officials sought to dampen fears of the virus striking large numbers of people. An outbreak in China's poultry stocks appeared to widen with newly confirmed or suspected cases reported in six provinces. What experts fear is the virus mutating into a form that passes easily between people, a pandemic strain that is a hybrid of the bird virus and a normal human influenza variety. Indonesia acknowledged finding the same H5N1 strain of avian influenza that has jumped to humans elsewhere in Asia, but said no people in the country have been infected. Ten countries are battling avian influenza and at least 45 million chickens have been slaughtered across the region to stop its spread. (AP)

> SPAIN The Spanish Ministry of Agriculture has confirmed nine new cases of BSE over the last week. These new cases bring the number of total cases reported this year to 11. Since BSE was first discovered in Spain, there have been a total of 389 cases. (Wattnet Meatnews)

> US Federal officials have so far found 29 of the 80 head of Canadian cattle that entered the United States in 2001 with a Holstein infected with BSE. The latest animal, which was identified late last week, will be euthanized. Investigators have been working to locate the cattle since the announcement Dec. 23 that a cow at a Mabton dairy farm had tested positive for mad cow disease. That cow was slaughtered Dec. 9. The latest animal was also found in Mabton, but at a different farm. (AP)

> US An international panel convened by US Agriculture Secretary Ann Veneman after the first US case of BSE has called for more restrictions on cattle feed, saying there's likely undiscovered cases among the nation's cattle. The Foreign Animal and Poultry Disease Advisory Committee's four-member subcommittee on the US response to the detection of a case of BSE met in Washington D.C. on Jan. 22 - 24. A spokeswoman for the department said Veneman was briefed on the panel's conclusions and would consider its recommendations, but declined to comment further. (AP, Wattnet Meatnews)

**Animal Agriculture Alliance
Key Stakeholder's Summit
March 22 - 24, Arlington VA**

**Animal Welfare's Importance to the Food Chain: Turning
Challenges into Opportunities**

The two and a half day Summit is targeted at senior management of all companies involved from “farm to fork,” with the goal of providing CEO’s, COO’s and CFO’s with the insight and information to successfully meet future challenges. Event sponsors include ADM Animal Nutrition, Brakke Consulting, Cargill Animal Nutrition, National Corn Growers Association, Rabobank, United Soybean Board and the Food Systems Group of Vance Publishing.

This year’s Summit is focused specifically on animal welfare and its importance to all stakeholders in the food chain. Prominent speakers will present some of the newest, most innovative ideas being implemented today that are creating opportunities from these challenges that could impact our entire industry. Other speakers will present new findings from 2004 public opinion polls on consumer attitudes about animal welfare and food safety, as well as an overview of the animal rights movement as compared with other social movements in the US. Additional topics include safeguarding the livestock industry, new track & trace programs, and strengthening communications with our customers, consumers and the media. Visit www.AnimalAgAlliance.org for more information.

BRAKKE CONSULTING VIEWPOINT

Globalization is a term that is thrown around with various meanings. But this week’s news provides some examples of what it means for us in the animal health business. There is no doubt that the Asian Avian Flu problem has an effect on worldwide meat markets, not just poultry markets and includes US producers. The same can be said for the US BSE situation.

Financial results also took on an international flavor this week. If you reported your results in dollars, results were good. If you reported them in Euros, they were not so good. The financial transactions, bankruptcies, mergers and acquisitions can be distracting to the base business. We are encouraged that Bayer, MetaMorphix and Merial press on with new technologies that will build their business.

Brakke Consulting, Inc. is currently active in both the financial and technology areas, providing counsel, direction and new options to our clients. If you are not certain what those options are, it may be time to sit down with a Brakke consultant. Have a great weekend.

John Mannhaupt

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