
**Brakke Consulting's
Animal Health News & Notes for February 20, 2004**
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COMPANY EARNINGS RELEASES

> Patterson Dental Company reported results for the third quarter of fiscal 2004 ended January 24. Sales of the **Webster Veterinary Supply** unit increased 7% in the third quarter to \$43 million, consistent with prior public statements related to the impact of converting a major but temporary pharmaceutical distribution agreement into an agency arrangement. This conversion was largely completed prior to the start of this year's third quarter. The absence of the distribution agreement is expected to have a positive impact on Webster's gross margins. (*Business Wire*)

> **Maple Leaf Foods** Inc. reported its financial results for the fourth quarter and year ended December 31, 2003. Sales for the fourth quarter of \$1.0 billion were consistent with last year, while earnings from operations were \$49.14 million compared to \$46.91 million. Last year's fourth quarter results included an \$6.65 million pre-tax pension plan wind-up gain in the Meat Products Group. Adjusting for the pension plan wind-up gain, the Company's earnings from operations for the fourth quarter 2003 increased 22%. Sales for the year were \$3.86 billion compared to \$3.94 billion for 2002, while earnings from operations before restructuring costs declined 25% to \$152.4 million from \$157.32 million last year. The single largest factor contributing to the earnings decline was an oversupply of protein in North American and global markets that persisted throughout the year, abating somewhat towards the end of the year.

(Business Wire)

> **The Provimi Group** (Netherlands) increased its sales by 0.7 % to 1,544.8 million euros (\$1,940 million) in 2003. The increase was due to Provimi's acquisition of Rolimpex in Poland and Rocofa in the Netherlands, adding a sales volume of 153.3 million euros. Without this external growth, the pet food manufacturer would have ended the year with sales down by 16.3 million euros or 1% compared with the previous year. *(PETS International)*

> **OurPet's Company** reported financial results for its fourth quarter and year ended December 31, 2003. Net sales for the fourth quarter were \$1,381,000, a decrease of 3% compared to the prior year fourth quarter. Due to uncontrollable events, over \$100,000 of sales slipped into the First Quarter of 2004. Gross profit for the quarter was \$300,000 or 22% of net sales compared to \$418,000 or 29% of net sales for the prior year quarter. For the year net sales were \$5,181,000, an increase of 10% compared to the prior year. Gross profit for the year was \$1,249,000 or 24% of net sales compared to \$1,183,000 or 25% of net sales for the prior year. *(Business Wire)*

COMPANY NEWS RELEASES

> **Elanco Animal Health** announced that it has received US FDA approval for Optaflexx to be fed to beef cattle in combination with two other commonly used feed ingredient, Rumensin and Tylan. Optaflexx is the first cattle feed ingredient that, when fed during the last 28 days of the finishing period, increases live weight gain, improves feed efficiency and increases red meat yield, while maintaining beef's natural taste, tenderness, and juiciness. *(company press release)*

> **Virbac Corporation** announced that it was contacted by the United States Securities and Exchange Commission on February 13, 2004 and advised that the SEC has initiated a formal investigation of Virbac. The SEC has not notified Virbac of the scope or specific purpose of the investigation. Virbac believes, however, that the investigation relates to the accounting issues described below which were brought to the SEC's attention by the Company's Audit Committee following the Audit Committee's decision to conduct an internal investigation. The Company's Audit Committee, Board of Directors and new management team intend to fully cooperate with the SEC in the conduct of its investigation. *(Business Wire)*

> **Ivy Animal Health, Inc. Lallemand Animal Nutrition** announced the formation of a sales and marketing partnership between the two companies. Under the terms of the agreement, Ivy's **VetLife** division will partner with

Lallemand Animal Nutrition in the sales and marketing of Lallemand's complete line of direct-fed microbials, as well as other products in development, to the US cattle feeding market. The partnership promises to add value to the cattle feeding industry by delivering top-quality, scientifically proven products and services that enable the industry to meet the demands of today's consumers. Financial terms were not disclosed. *(company press release)*

> **eMerge Interactive** announced that preliminary tests demonstrate that its VerifEYE-based technology is successful in the detection of spinal tissue to identify and remove Specified Risk Material (thought to be responsible for the transmission of BSE). The company is currently in the process of developing a prototype for commercial trials in mid-2004. *(company press release)*

> **Dow AgroSciences** has entered into a strategic research alliance with Canada's National Research Council Institute for Biological Sciences (NRC-IBS). The alliance is focused on discovering and delivering innovations to improve animal health and the safety of the world's meat supply. The strategic alliance will be in force for at least five years. By using plants as factories in a closed system, the alliance intends to produce antibodies to eliminate harmful bacteria in meat, and vaccines that reduce the risk of transferring animal diseases to animals and humans. In November 2003, Dow AgroSciences obtained worldwide licensing rights from NRC to develop and market technologies that block production of *E. coli* O157:H7 bacteria in cattle and *Campylobacter jejuni* in poultry. The new alliance involves cooperation on a broader scale, combining the research expertise of NRC along with the plant sciences technologies and marketing capabilities of Dow AgroSciences. *(PRNewswire)*

> Ranchers won a landmark \$1.28 billion verdict that found **Tyson Fresh Meats** (formerly **IBP Inc.**) manipulated cattle prices, a ruling that could have repercussions across the entire agriculture industry. A federal jury agreed with the cattlemen, who claim to represent thousands of beef producers across the country, that the nation's largest beef packer used contracts with a select few ranchers to create a captive supply of cattle. The cattlemen said that reserve supply allowed Tyson to stay out of the cash market for cattle when prices were high and re-enter only when prices fell - thereby keeping cattle prices low. Attorneys for Tyson said they planned to appeal the verdict, which is only a recommendation from the jury and could be reduced from \$1.28 billion. The final total will depend on the number of cattlemen affected and the amount of damages per animal, yet to be determined by the court. An agricultural economist said an order restricting contracts would determine whether the verdict affects the poultry or pork industries, both of which rely heavily on such contracts. The attorney who won

the verdict against Tyson said he will seek to overhaul the way meatpackers buy cattle. (AP, WSJ)

> A divided Arkansas Supreme Court turned down an appeal by **Tyson Foods** Inc. which would have sent a lawsuit by pork producers to arbitration. Instead, the case goes back where it began, Pope County Circuit Court. In August 2002, Tyson ended its live swine operation in Arkansas and Oklahoma, and producers sued, claiming Tyson led them to invest heavily in their businesses and then cut them off. Tyson asked that the case be moved to arbitration but the trial judge denied the request. Tyson appealed, an action that ultimately resulted in Thursday's 4-3 decision in the high court. (AP)

ANIMAL HEALTH NEWS

> US The outbreak of avian influenza in the US continued to spread, as agriculture officials in Pennsylvania reported cases of the H2N2 virus, less than a day after the disease was confirmed in four small poultry markets in New Jersey. The Pennsylvania infection was reportedly found in a flock of nearly 500,000 hens, which was immediately quarantined. As of Friday, officials had still not decided whether the whole flock would be culled. So far, none of the birds showed any signs of illness. (Meating Place)

> US The New Jersey Agriculture Secretary announced that a Mount Joy, Lancaster County, poultry flock, previously identified as having avian influenza, has a strain of influenza, H2N2, that poses a low threat to the general population and to the poultry industry. The virus was discovered during routine surveillance testing for avian influenza. The flock had no clinical signs of indicating illness with avian influenza, mortality is being monitored, and no decrease in egg production has occurred. The farm in Mount Joy remains under quarantine, and all 16 poultry flocks in the surveillance zone are being tested for avian influenza. (PRNewswire)

> CANADA Canadian officials are testing samples avian influenza virus that has been detected on a British Columbia farm to determine if the strain is one that kills almost all infected poultry. The H-7 avian flu has been contained on the farm, according to the Canadian Health Minister. Officials said the virus does not affect humans and is different from the H5N1 strain that has killed 22 people in Thailand and Vietnam and forced officials to slaughter millions of poultry in a bid at containment. It is not currently known if the strain in the Canadian outbreak is a form of influenza viruses that kills virtually all infected chickens. Test results to determine the exact type of flu strain will be available Friday. (AP)

> THAILAND Avian influenza has been detected in a previously unaffected Thai province and has resurfaced in

eight other provinces that were under observation. The virus, which has killed six people in Thailand, was found in some ducks in the northeastern Roi Et province. It was likely spread by a fighting cock according to the Director of Disease Control Division at the Department of the Livestock. (AP)

> THAILAND Thailand ordered an investigation into whether 196 cows died of avian influenza as the virus was reportedly discovered in a house cat. If confirmed, the cat would be first domesticated mammal struck by the deadly strain of avian flu that has swept across Asia, killing 22 people and ravaging poultry stocks. A clouded leopard in a zoo near Bangkok last month became the first non-human mammal to die of avian influenza, raising concerns about the virus jumping species. (AP)

> US The federal appeals court has upheld a lower court decision invalidating a patent held by the University of Rochester on research used to develop inflammation treatments. In 2000, the university received a 17-year patent on research done by Dr. Donald Young in the 1990 discovery of a new cyclo-oxygenase enzyme, cox-2. The school sued the pharmaceutical companies that developed so-called cox-2 inhibitor drugs, claiming patent infringement. Last March, a US District Judge invalidated the school's patent. The judge said Young's method of treatment "did not blossom into a full-fledged complete invention," and he sent the case to the appeals court that specializes in patent disputes. (AP)

> US February 21-28, 2004 has been designated by the North Carolina Horse Council as "Horse Health Awareness Week." During Horse Health Awareness Week, equine veterinary practitioners and horse organizations across the state are encouraged to hold special clinics and other events to call attention to horse health. (PRNewswire)

> JAPAN Avian influenza has been discovered in a group of pet chickens in southern Japan in the country's first new infections since an outbreak at a chicken farm last month. Seven pet chickens died at a home in the town of Kokonoe in Oita state, about 530 miles southwest of Tokyo. A duck, kept as a pet with the chickens, also tested positive. Tests conducted in Tokyo confirmed initial suspicions that the birds were infected with a strain of the H5 virus, in the same category as the H5N1 virus that has spread through much of Asia. (AP)

> ITALY A study by an Italian research group published Monday in the Proceedings of the National Academy of Sciences suggests the discovery of a new strain of bovine spongiform encephalopathy. According to the report, researchers examined the brains of eight cattle infected with BSE. Two brains appeared to have a form of BSE that more

closely resembled the human form of Creutzfeldt-Jakob Disease than the variant-CJD that has come to be commonly associated with BSE. According to an Associated Press report, Salvatore Monaco, lead author of the study, said the findings may indicate that cattle can also develop a sporadic form of the disease, but it might also be a new foodborne form of the illness. But Dr. Paul Brown of the National Institutes of Health was quoted in the same article that the finding does not indicate an increased threat to humans. *(Meating Place)*

> US The Beef Industry Food Safety Council released its recommended pre-harvest "Best Management Practices" for reducing *E. coli* O157 last week. The document also summarizes the current science on pre-harvest interventions. Several interventions remain under review or await government approval, but the report identifies two approved and available pre-harvest intervention. Specific direct-fed microbials for example, such as the probiotic Bovamine, have been proven to reduce *E. coli* prevalence. A recent checkoff-funded study found that cattle fed Bovamine had 71% less *E. coli* O157:H7 presence than the control group. Tasco 14, a seaweed extract fed to cattle 14 days before harvest, also has been shown to reduce the incidence of *E. coli*. *(Drovers Alert)*

**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.

AGRIBUSINESS NEWS

> The European Union deadlocked again on lifting its 6-year-old moratorium on new biotech foods, failing to agree on a proposal to approve Monsanto Co.'s Roundup Ready corn for import and processing. The EU's executive commission said the proposal failed to win enough support from a committee of experts from the 15 EU countries, although it came closer than on the first such application in December. Nine countries voted in favor of lifting the moratorium on Wednesday with five against and Germany abstaining. Each country's vote is weighted based on size, however, so the application failed even though a majority of countries was in favor. There were 53 weighted votes in favor when 62 such votes were needed. Belgium, Spain, France, Ireland, Netherlands, Portugal, Finland, Sweden and Britain were in favor; Denmark, Greece, Austria, Italy and Luxembourg opposed and Germany was the lone holdout. It now goes directly to government ministers. If they don't make a decision in three months, the file returns to the commission, which can adopt it on its own. (AP)

BRASSE CONSULTING VIEWPOINT

It was great to see many of you at the Western Veterinary Conference this week. Dr. Steve Crane, the WVC board, and staff organized a great meeting. Congratulations!

Since many of you were either attending the trade show or spending time enjoying various entertainment opportunities in Las Vegas, there was a shortage of news for the week. It is always interesting to receive reports of all the success occurring at the gaming tables. Did any of you hit the "jackpot"? If you did, let us know and we'll report in the next newsletter.

Thank you to the 40 plus managers that attended the Brasse 2004 Overview session on Monday. We appreciate your participation and positive comments. It's now time for you to begin booking your individual company presentations.

Have a great weekend.

Ron Brasse

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