
Brakke Consulting's
Animal Health News & Notes for March 19, 2004
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New Brakke Study on Pain Management Products!
*****available for shipping next week*****

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NEW BRAKKE CONSULTING REPORT
PAIN MANAGEMENT PRODUCTS FOR DOGS AND CATS

Pain management is one of the leading topics in veterinary medicine today. While pain management products for dogs and cats represented a minor part of the pharmaceuticals market a decade ago, they now represent a substantial market segment of approximately \$175 million in the US, with potential still to be tapped.

Three new pain management products for dogs were launched in the US in the past 18 months. The new Brakke

Consulting report, **Pain Management Products for Dogs and Cats**, includes information on these new market entries and how they have performed since their introduction, as well as how their introduction has affected the market. It also addresses how attitudes toward pain management in veterinary medicine has changed in the past several years, including results from veterinarian surveys in 2001 and 2004.

The study includes information such as:

- overview of acute and chronic pain in small animals
- review of products, both veterinary and human, currently used to treat pain in dogs and cats
- estimates of US sales and prices of leading pain management products
- potential new pain management products
- review of nutritional supplements used for chronic pain, with emphasis on glucosamine products
- industry and academic initiatives to further pain management education
- survey of small animal veterinarians regarding use of pain management products

The report, which will be available next week, is available for a discounted price of **\$3,950 if ordered before April 15**, or \$4,500 after April 15. For more information, call or email Dr. Lynn Fondon at 972-243-4033 or lfondon@brakkeconsulting.com.

COMPANY EARNINGS RELEASES

> **Bayer** reported that sales of its animal health division fell 7% to 790 million euros (\$992 million) in the year 2003 due to negative currency effects. Adjusted for currency fluctuations, sales for the year rose 4.7% compared to 2002. The increase in sales resulted primarily from the successful launch in North America of the antiparasitic K9 Advantix. (*company website*)

> **Evalis** announced that turnover for 2003 declined 8.6% to 675 million euros (\$848 million). The company cited poor performance in the Brazilian and Polish markets, as well as a significant drop in its home market of France. (*Animal Pharm*)

> **Provimi** announced that sales for the year 2003 increased 0.7% to 1,545 million euros (\$1,940 million). Feed tonnage produced and sold increased 18% to 3.3 million tonnes. Exchange rates had a significant negative impact on sales, and sales in the US decreased 24%. Sales in Poland increased with the acquisition of Warsaw-based feed manufacturer Rolimpex. (*Animal Pharm*)

> **Doane Pet Care** announced results for the year ended January 3, 2004. The company's net sales increased 14%

to \$1,014 million. The increase was primarily due to sales volume growth and the favorable currency exchange rate between the dollar and the Euro, as well as an extra week in the 2003 fiscal period compared to 2002. Excluding impact of foreign currency exchange rate and the extra week, sales increased 7.8%. The company reported a net loss of (\$54.4 million) for fiscal 2003 compared to net income of \$15.3 million in 2002. The higher sales volume was more than offset by higher commodity and natural gas costs. In addition, the company incurred two noncash charges totaling \$19.3 million, and a noncash income tax expense of \$23.6 million. Adjusted EBITDA was \$80.8 million for fiscal 2003 compared to \$108.2 million in fiscal 2002. (*company website*)

> **Embrex**, Inc. announced financial results for the full year ended December 31, 2003. For the year, total revenues were \$46.0 million, a 2% increase over total revenues of \$45.3 million for the full-year 2002. Consolidated net income for 2003 increased to \$7.6 million, 6% higher than 2002 net income of \$7.2 million. The increase in 2003 net income compared to 2002 was primarily due to the \$3.7 million settlement of the Company's litigation with Fort Dodge net of legal expenses, offset by the \$2.3 million write down of the Gender Sort system. (*company website*)

COMPANY NEWS RELEASES

> **Novartis** AG weighed into the takeover struggle between France's two main drug companies, saying it was considering a white knight bid to thwart **Sanofi-Synthelabo's** hostile offer for **Aventis**. After weeks of rumors about a possible bid by Novartis, the Swiss pharmaceutical company confirmed it was "exploring the feasibility of a combination with Aventis." The statement made no direct reference to the hostile bid Sanofi launched on Jan. 26 for Aventis. (*AP*)

> **Virbac S.A.** announced the acquisition from **Antigenics** Inc. of Antigenics' manufacturing rights for feline leukemia virus (FeLV) vaccine for \$14.25 million in cash. Virbac S.A. has held exclusive worldwide marketing rights to the FeLV vaccine since 1983, and will now acquire all remaining rights, related equipment, intellectual property, regulatory filings and inventories associated with the manufacture of the product under the terms of the transaction. The company will also take over related manufacturing premises in Framingham, Massachusetts. The vaccine is based on Antigenics' proprietary FeLV technology, a patented formulation that utilizes a FeLV antigen. In 2003, the FeLV business achieved sales of \$3.5 million for Antigenics. (*Business Wire*)

> **Elanco** announced the launch of Elector insecticide for control of flies and lice. Elector contains spinosad as the

active ingredient, a new class of insecticides for cattle. The product has a superior safety profile, is non-irritating, and does not require protective equipment for applying to livestock. It can be used as a pour-on, on-animal spray or premise spray. Elector is Elanco's first entry in the parasiticides market. *(company press release)*

> The FDA amended the animal drug regulations to reflect approval of two new animal drug applications filed by **Elanco** Animal Health. One NADA provides for use of ractopamine and monensin Type A medicated articles to make dry and liquid two-way combination Type B and Type C medicated feeds for cattle fed in confinement for slaughter. The other NADA provides for use of ractopamine, monensin, and tylosin Type A medicated articles to make dry and liquid three-way combination Type B and Type C medicated feeds for cattle fed in confinement for slaughter. *(AnimalNet - Federal Register)*

> The FDA amended the animal drug regulations to reflect approval of an abbreviated new animal drug application (ANADA) filed by **Phoenix Scientific**, Inc. The ANADA provides for the use of lincomycin injectable solution in swine for the treatments of infectious arthritis and mycoplasma pneumonia. *(AnimalNet - Federal Register)*

> **Bayer** announced that it will appeal an Administrative Law Judge's decision regarding the use of Baytril 3.23% in poultry. The Judge ruled against Bayer regarding a 2000 FDA ban on fluoroquinolone use in poultry, citing "serious questions about the safety of Baytril use in poultry" in deciding the FDA's ban should take place. An appeal of the Judge's decision will be submitted to the commissioner of the FDA and represents the next step in the FDA legal process. *(Business Wire)*

> **Trouw Nutrition** introduced Ultra Life Colostrum supplement for calves. Ultra Life contains Protimax hyperimmunized egg protein, and utilizes Trouw's Greenline technology, a synergized blend of natural ingredients developed to improve a calf's natural immunity. *(company press release)*

> **Lallemand Animal Nutrition** announced that the company has gained approval from the Canadian Food Inspection Agency (CFIA) for Alkosel, a selenium enriched yeast feed additive. Alkosel is now approved for use in swine, poultry, and cattle (dairy and beef) feeds. The CFIA approval follows a recent sanction by the FDA for the use of Alkosel by beef and dairy producers in the US, an extension of previously existing approval of selenium yeast for use in turkeys, chickens, and swine. *(company press release)*

> **UltraPet** announced the acquisition of two companies, **Harvest Ventures** and **Cedar Fresh**, and their popular lines

of pet products. According to UltraPet's President and CEO, the purchases are part of the company's strategy to address the rising demand for pet products that improve the quality of life for both pets and owners. The Harvest Ventures acquisition includes Crystal Clear Litter Pearls, Tracks-Less Litter Pearls, Ultra Pearls, Better Way Cat Litter, and Harvest Chewz bones for aggressive chewing dogs. The Cedar Fresh cat litter brands include Cedar Fresh Ultra, Cedar Fresh Flushable and Cedar Fresh Traditional. Financial terms were not disclosed. *(PRNewswire)*

> **Synbiotics** Corporation announced that the US District Court has issued a Temporary Restraining Order (TRO) against **Agen Biomedical** Limited, preventing Agen's canine heartworm diagnostic product from entering the US market for the next 28 days. The TRO does not affect existing inventory at Vedco or its distributors. Agen formerly manufactured and supplied Synbiotics' Witness HW brand test kits containing Synbiotics antibodies under a For Further Manufacture USDA license for Synbiotics. Synbiotics claims that Agen's canine heartworm diagnostic product, STATScreen CHW contains Synbiotics' DI 16 872.5 monoclonal antibody and therefore infringes Synbiotics' US Patent 4,789,631. *(company press releases)*

> **Virbac Corp.** announced the launch of an interactive, online training program that provides detailed information on oral care for pets for veterinary practitioners and their staff members. CETuniversity.com delivers detailed pet oral health care instruction and information in a multimedia format that includes photos, dynamic bullet points and streaming audio narration of the text. Participants monitor their progress by taking an online quiz at the end of each training module. When they successfully complete the course, registrants receive a personalized diploma recognizing them as C.E.T Dental Consultants. *(company press release)*

> **Bio-Rad Laboratories** announced that the US government has licensed its rapid-result BSE test. The Bio-Rad Labs TeSeE test can give results in four hours and is almost 100% accurate according to Bio-Rad's vice president of life sciences. The test will be licensed by the USDA for use by the National Veterinary Service Laboratories and all the NVSL network laboratories as part of the new BSE testing program, according to the company. The test, already in use in Japan and Europe, detects the presence of the resistant form of prion protein, or PrPres, linked to BSE and can identify these prions at extremely low levels. *(AP, Meating Place)*

> **Pro Brands** Ltd. has formed a joint venture with Portero.com Ltd. to offer VetGate USA, a web-based communications program created for veterinary clinics. VetGate USA offers veterinarians the ability to communicate

and consult with their clients through each clinic's own web page. Veterinarians can use the web-based communication system to schedule herd health programs with their clients, set dates for annual check-ups and vaccinations, dispense products and communicate with clients via email. VetGate USA is suitable for use in small animal, equine and production animal veterinary practices. Another component of VetGate USA is the ability for clinics to communicate with other experts in veterinary medicine such as university scientists, industry technical service veterinarians, consulting nutritionists, specialty practice veterinarians and animal behavior specialists. *(company press release)*

**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.

ANIMAL HEALTH NEWS

> CANADA Canadian health officials killed 36,000 chickens on a Matsqui, British Columbia, farm this weekend to stop the spread of a deadly form of avian influenza. On March 11 the Canadian Food Inspection Agency imposed an "avian influenza control area" restricting movement of all poultry and poultry products in the Fraser Valley and Greater Vancouver area. Laboratory tests confirmed that chickens

the farm had the same strain of high-pathogenic virus as the chickens on Loewen Acres, a farm just 1.2 miles away. Last month, officials destroyed 16,000 chickens at Loewen Acres. Initial tests of chickens in one barn at Loewen Acres last month only detected a low-pathogenic form of the H7 virus, but subsequent tests found a highly-pathogenic form in another barn. (*Wattnet Meatnews*)

> NETHERLANDS Health officials in the Netherlands confirmed that birds on two poultry farms, a chicken farm and a duck operation, were infected with avian influenza. They added that the viruses in both cases were low pathogenic strains. Both farms were depopulated in an effort to stop the spread of the disease; nearly 23,000 birds were slaughtered. (*Wattnet Meatnews*)

> US The USDA announced that it would test "as many cattle in the targeted highest risk population as possible" for BSE in a one-time effort designed to ferret out any more cases of BSE in the US. The new surveillance plan, which comes three months after USDA stepped up BSE testing to 40,000 head from 20,000 in the wake of America's first confirmed case of BSE, will last 12 to 18 months and could test between 201,000 and 260,500 cattle at a network of laboratories around the country. (*Meating Place*)

> US The USDA reported that government and poultry industry officials intend to expand testing for avian influenza to cover most of the poultry raised in the US, possibly this month. The \$12.5 million program would focus on the most dangerous forms (H5 and H7) of the most common variety, low pathogenic avian influenza. If left to spread, they can mutate into highly pathogenic varieties that can kill entire flocks in a day. The new testing system was approved on March 5 by a committee of federal, state and industry officials that oversees the Poultry Improvement Plan, and could take effect March 29, assuming it gets final Bush administration approval. The tests would be voluntary, but the industry does not want to see more export bans, so pressure to take part would be strong. Recent outbreaks of low-path bird flu in Delaware, Maryland and Pennsylvania led to a spate of bans which, after a separate high-path bird flu infected a flock in Texas, reached about 35 nations. (*AP*)

> US Two California state senators plan to introduce legislation that would increase testing for BSE in that state. The senators plan to introduce two bills in coming weeks relating to increased testing for BSE and creating a public notification system for food recalls. The plan would expand BSE testing to facilities like the California Animal Health and Food Safety Laboratory in Davis, California. Agriculture Secretary Veneman has stated that USDA was in the process of approving state labs for BSE testing. (*Meating Place*)

> JAPAN Japanese poultry and pork processors will begin maintaining and offering the same product traceability to their retail customers and consumers that they currently offer for beef. The increased traceability is being driven by consumer concerns regarding overall meat product safety there stemming from the recent avian influenza epidemic and the nation's struggle with BSE. Starting next month, Nippon Meat Packers will enable customers via the Internet to pinpoint the farms where its chickens and hogs were raised and to find other information, such as feeds and vaccines used in raising the animals. Information will be available for the 45 million chickens that are raised each year at four farms in Japan. These birds account for about 70% of the domestically raised chicken for the Nippon Meat Packers group. In addition, information will be available for some 1.4 million hogs raised annually by a Nippon subsidiary at four domestic farms and at other domestic contract farms. These animals account for 70% of the domestically produced pork of the group. (*Meating Place*)

> US The newly formed Companion Animal Parasite Council was unveiled at the 2004 North American Veterinary Conference. The CAPC is an independent council established to create guidelines for the optimal control of internal and external parasites that threaten the health of pets and people. The council was formed with the express purpose of changing the way veterinary professionals and pet owners approach parasite management. The council was funded by a grant from **Novartis**. (*Animal Pharm*)

**APPMA Annual Meeting
March 17-19, 2004**

The American Pet Products Manufacturers Association Annual meeting was conducted in New Orleans March 17-19, 2004. This year's meeting is the largest ever for APPMA. Final attendance is not yet available, but pre-registrations were up 30% versus last year. This year's trade show had over 600 member companies exhibiting utilizing over 1700 booth spaces. The net exhibit space used by exhibitors was over 170,000 square feet: 15% more than the previous record for APPMA.

The 2003-2004 edition of the APPMA National Pet Owners Survey which provides comprehensive data on the current pet population, owner demographics, purchasing habits, and market trends is also now available from APPMA. For more information about the study, contact APPMA at www.APPMA.org.

BRAKKE CONSULTING VIEWPOINT

The news this week covers a broad range of topics related to the industry. The year-end company sales and earnings reports were mixed. While nutritional products increased in volume, the desired bottom line was difficult to achieve in this market segment.

We're encouraged by the new products and technologies announced this week. They indicate that research and development is paying off for firms that invest. While there may not be any blockbusters, there appear to be some nice additions to various product lines.

On the topic of food safety in Japan, please reread the next-to-last item under "Animal Health News". Nippon Meat Packers will allow Japanese consumers to identify via the internet the farms where the animals were raised, along with the health programs those animals benefited from. They obviously plan to market this program to the consumer as a point of difference for their products. Will competitors be forced to do the same? If successful, will other markets follow Japan's lead?

Have a great weekend.

Ron Brakke

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