
**Brakke Consulting's
Animal Health News & Notes for April 1, 2005**
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JUMP TO:

earnings news:

[Alpharma](#)
[Synbiotics](#)

other news

[Applied Veterinary Genomics](#)
[Blue Seal Feeds](#)
[Campofrio Alimentacion](#)
[CytoGenix](#)
[Farnam](#)
[Fort Dodge](#)
[GeneWorks](#)
[Group Grimaud La Corbiere](#)
[Hartz Mountain](#)
[Hubbard](#)
[Lallemand](#)
[Land O'Lakes Purina Feed](#) (Farnam)
[Land O'Lakes Purina Feed](#) (Achieve)
[Lohmann Animal Health](#)
[Merial](#)
[Monsanto Dairy](#)
[Petco](#)
[PETsMART](#)
[Rapid Brands](#)
[Schering-Plough](#)
[Smithfield Foods](#)
[Sociedad 814 Americas](#)
[Vivalis](#)

COMPANY EARNINGS RELEASES

> **Alpharma** reported results for its Animal Health division for the fourth quarter and year ended December 31, 2004. Fourth quarter revenues were \$84.1 million compared to \$86.0 million in 2003. 2003 revenues included \$3.8 million of revenues related to the AHD aquatic operation, which was divested in July 2004. Excluding revenues from the aquatic operations and the impact of foreign currency, 2004 sales were flat versus 2003. Revenues for the year were \$314.6 million compared to \$295.7 in 2003. (*PRNewswire*)

> **Synbiotics** Corporation announced its results for the year ended December 31, 2004. Net loss for the year was (\$647,000) compared to net income of \$1,287,000 for 2003. Synbiotics' revenues were \$19.2 million for 2004 as compared to \$19.2 for 2003. The 2004 results include significant legal expenses related to patent litigation which was settled in 2004, as well as disappointing performance from Synbiotics' subsidiary, Synbiotics Europe SAS. (*Business Wire*)

CORRECTION:

Heska Corporation reported results for the quarter and year ended December 31, 2004. Fourth-quarter revenues were \$17.2 million, down 20% from \$21.6 million in the fourth quarter of 2003.

Net loss for the quarter was (\$0.6) million, compared to a net income of \$1.4 million in the fourth quarter of 2003. Revenues for the full year were \$67.7 million, an increase of 4% compared to 2003. Net loss for the year was (\$4.8) million compared to a net loss of (\$3.5) million in 2003. (*company website*)

BRAKKE CONSULTING, INC.
General Consulting and Strategic Planning Services

With our consultants' many years of experience in various management positions in the industry, Brakke Consulting is an excellent resource to assist management in the planning and decision-making process.

Brakke Consulting's past assistance to clients has included:

- business management
- executive counsel
- product evaluations
- new business development
- distribution strategies
- due diligence
- strategic planning
- technology/licensing

Brakke Consulting can provide insights and professional assistance that improves the likelihood of success. Please contact us if you would like the benefit of professional assistance in any of these areas. Contact information for all offices are available on our website at www.brakkeconsulting.com.

COMPANY NEWS RELEASES

> **Merial** Ltd announced that **Group Grimaud La Corbiere** SA has acquired **Hubbard**, Merial's broiler breeding subsidiary. The transaction took the form of a sale of stock of Hubbard SAS, Hubbard LLC and Hubbard BV. The business will continue to trade under the name Hubbard. In parallel, Merial and **Vivalis**, a wholly-owned subsidiary of Group Grimaud, have signed a Letter of Intent under which Vivalis will exclusively license to Merial the EB14 cell line for the propagation of the canarypox and fowlpox viruses for use in Merial's vaccines. Financial terms were not disclosed. (*company press release*)

> **Fort Dodge** Animal Health announced it has re-introduced Hetacin-K Intramammary Infusion to the dairy market. Hetacin-K is a once-daily dosing product for controlling mastitis caused by susceptible strains of bacteria. (*Feedstuffs*)

> **Schering-Plough** Animal Health announced the introduction of M+Rhusigen, a new vaccine to control erysipelas and mycoplasma pneumonia. The vaccine contains Schering-Plough's proprietary Emunade adjuvant. (*Feedstuffs*)

> **Lohmann** Animal Health International introduced its new licensed AviPro 101 Coryza Gold vaccine. The vaccine provides protection against *Haemophilus paragallinarum* infection in layer and breeder chickens. (*Feedstuffs*)

> **Lallemand** Inc. announced it has received Center for Veterinary Medicine approval for its Bova-Pro as a direct-fed microbial for use in cattle diets. Bova-Pro Concentrate contains

Propionibacterium acidipropionici (strain P5). (Feedstuffs)

> **Farnam Horse Products** announced that it has entered into an alliance with **Land O'Lakes Purina Feed** LLC to create its own signature equine feed and supplement brand. The new products will carry the name Platform, with four feed categories to cover all equine ages and lifestyles: Pleasure, Performance, Mare & Foal and Senior. In addition, the Platform feed system will include a line of supplements and treats. (company press release)

> **Hartz Mountain** announced it has acquired shed-care technology and related intellectual property and physical assets from **Rapid Brands** Corp. to strengthen its product development and marketing efforts in the pet grooming and beauty care category. The acquisition includes Speedy Groom brushes and spinning massage brush. Financial terms were not disclosed. (Pet Age)

> **Petco Animal Supplies** Inc. announced a new corporate structure to provide a more efficient legal structure. The new holding company has taken the name Petco Animal Supplies Inc. The retail chain is now a subsidiary of the holding company, and has changed its name to Petco Animal Supplies Stores Inc. (Pet Age)

> **PETsMART** and its founding and current Chief Executive Officers have donated \$1.5 million to Indiana University's Kelley School of Business to endow the PETsMART Distinguished Marketing Chair. The school will conduct a national search to locate a scholar who specializes in retail marketing, particularly database marketing and customer relationship management. Last spring, PETsMART gave \$1 million to the School of Family and Consumer Sciences at the University of Arizona to establish the PETsMART Endowed Professorship in Retailing and Consumer Sciences. (Pet Age)

> **Land O'Lakes Purina Feed** announced the launch of a new line of premium-quality dog and cat foods. The new Achieve line of pet food products is being introduced as part of the company's new Lake Country Animal Nutrition brand, which is also introducing new lines of horse and specialty animal feeds. Achieve and other Lake Country products are sold through rural feed dealers, primarily Land O'Lakes cooperative members. (Feedstuffs)

> **Monsanto Dairy** announced a plan to continue gradual increases in the supply of its bovine somatotropin (BST) product, Posilac. While the primary focus is to meet the needs of current customers, new customers may now elect to sign up on a waiting list. (Feedstuffs online)

> **Smithfield Foods'** unit Patrick Cudahy has purchased **Sociedad 814 Americas**, based in Elizabeth, N.J., a subsidiary of Spain's **Campofrio Alimentacion**. The purchase price is quoted as \$8.55 million. 814 Americas manufactures meat items for the Hispanic market. Patrick Cudahy will expand the products into new markets. 814 Americas will continue to operate and produce products as an independent company. Smithfield holds about 22% of Campofrio. (Pork Alert)

> **Blue Seal Feeds** announced it is now offering the OrganicLife product line of poultry feeds to customers who want to feed their poultry organically. The feeds are certified organic by the USDA. (Feedstuffs)

> **Applied Veterinary Genomics**, Inc. (AVGI) announced that its lawsuit against **CytoGenix**, Inc. has been successfully resolved. The court entered its judgment confirming the jury's finding of multiple breaches of contract by CytoGenix, and ordering CytoGenix to provide its patented ssDNA vector expression in accordance with the licenses acquired by AVGI from William Waldroff. The court also entered permanent injunctions against certain future CytoGenix conduct and ordered CytoGenix to pay both AVGI and Waldroff their respective attorney fees and all court

costs. AVGI stated that it can now continue developing the CYGX ssDNA vector for the reduction or elimination of inflammation associated with lameness in horses. (*Business Wire*)

> **GeneWorks**, Inc. announced that they have identified full transgenic chickens expressing a human protein in their blood. The hatchlings have about a tenth of a mg/ml of a human pharmaceutical in their blood, and the company believes that their expression levels are the highest achieved in a transgenic chicken. (*PRNewswire*)

ANIMAL HEALTH NEWS

> JAPAN - BSE A 9-year-old female Holstein has been discovered to have suffered from BSE, Japan's 16th such case since the first case was discovered in 2001. The animal was raised on the northern island of Hokkaido. (*Meating Place*)

> JAPAN - BSE TESTING STANDARDS Japan's food safety panel ruled that relaxing domestic cattle testing standards for BSE won't put consumers at risk, raising the possibility that Tokyo will reopen its market to US beef imports. The Food Safety Commission found that tests for BSE on cattle aged 20 months or younger were unable to detect the proteins linked to the disease. Scientists believe the proteins associated with BSE do not accumulate in cows that young. (*AP*)

> NORTH KOREA - AVIAN INFLUENZA North Korea has acknowledged an outbreak of avian influenza for the first time, reporting that hundreds of thousands of chickens were killed to prevent its spread, and the disease was not passed on to humans. The report did not say which strain of the virus had been discovered. (*AnimalNet - AP*)

> US - CWD IN NEW YORK The first positive case of chronic wasting disease (CWD) in New York State has been confirmed in a white-tailed doe from a captive herd in Oneida County. CWD is a transmissible disease that affects the brain and central nervous system of deer and elk. The animal that tested positive for CWD was a six-year old white-tailed doe that was slaughtered as part of the State's mandatory CWD surveillance and testing protocols. The New York State Department of Agriculture and Markets has officially quarantined the index herd in which the positive deer was found, and will depopulate and test all deer on the premises. The Department of Environmental Conservation (DEC) will conduct intensive monitoring of the wild deer population surrounding the index herd to ensure CWD has not spread to wild deer. (*TAHC*)

> MEXICO - AVIAN INFLUENZA Mexico's Agriculture Ministry reported an outbreak of low-pathogenic avian influenza in northern Mexico, in the state of Durango. Early last week, avian influenza fears prompted the slaughter of approximately 2 million chickens at a Tyson Foods processing plant. Since the virus was not a high-pathogen strain, the outbreak was not reported to the World Health Organization. (*Meating Place*)

> NORTH AMERICA - CATTLE EXPORT Canada, Mexico and the US have agreed on a single North American standard for the import and export of cattle to prevent the spread of BSE. The standard was negotiated in Mexico during recent trade meetings, reflects guidelines laid out by the World Organization for Animal Health and essentially holds that as long as specified risk materials (SRMs) are removed from all imported cattle at the time of slaughter, and that no cattle from herds that have experienced any cases of BSE are allowed to be exported, live cattle can move across borders without significant risk to consumers. The agreement does not negate the lingering US ban on Canadian cattle. (*Meating Place*)

> US - STRANGLES OUTBREAK Kentucky Derby contender Sun King and 2004 Horse of the Year Ghostzapper were among two dozen horses moved to Churchill Downs from a Florida training facility where strangles (*Strep. equi*) has been identified. The horses' trainers said they

wanted to prevent a possible quarantine on the animals in Florida and any potential infection. A Florida agriculture official reported that at least four horses that arrived in January at Palm Meadows from Churchill Downs' Trackside training facility tested positive for strangles this week. Six horses have been diagnosed with the disease at the Trackside facility, which is several miles from Churchill Downs. Churchill has done extensive disinfecting and there are no signs of the disease among the several hundred horses currently on the grounds. (AP)

> CANADA - JOHNE'S TEST CanWest DHI, a non-profit milk recording organization, introduced a new milk ELISA test for Johne's Disease. DHI's new test is the only milk sample test available to dairy producers in Ontario. Results are available one to two business days after samples reach the lab, and are provided to both the herd owner and herd veterinarian as part of DHI's regular service. (AnimalNet)

> US - CAT ALLERGY RESEARCH A new chemical compound may provide an end to misery-making cat allergies. The compound, tested in mice bred to be allergic to cats, virtually shut down the histamine reaction that causes the uncomfortable symptoms of cat allergies such as runny eyes, sneezing and itching, according to the article published in Nature Medicine. The researchers reported that the compound also worked in human cells grown in lab dishes. The compound uses pieces of an allergy-provoking protein found in cat saliva or dander called Fel d1, tied to a piece of human antibody called IgG Fcg1. The UCLA team named it GFD, or gamma Feline domesticus. The cat allergen part attaches to antibodies on the surface of the immune system cells that produce histamine, while the human bit stops the cell from getting started. The researchers tested GFD in two types of allergic mice, and it blocked the immune over-response in both. (Reuters)

BRAKKE CONSULTING VIEWPOINT

We've now completed the first quarter of 2005 and it appears to us that the industry is off to a good start. We're receiving preliminary reports from the industry that revenue will be in excess of 10% for most companies. It is not only manufacturers indicating a strong quarter but also distributors, which means that product is moving through the system. Hopeful the retail outlets and clinics are experiencing similar movement. The only dark cloud we see looming could be the impact of high energy prices. The experts believe that high energy prices will continue through the year and this could dampen consumer spending on other items. The high energy prices will increase cost of goods for some items, resulting in price increases that force us into an inflationary environment. We're hearing about some price increases that appear to have little or nothing to do with energy prices. Are some firms being opportunistic which could come back to negatively impact the industry at a later time?

BCI is of the opinion that there are limits to how much consumers will pay for some products and services. In the past, the pet and veterinary services industries have not been negatively impacted by inflationary times. Will the same be true this time around? We believe the food animal sector is much more vulnerable. If consumer buying power shifts because of high energy costs, we could see changes in consumer purchasing to lower-cost animal protein and fewer restaurant visits. It could be an interesting 2005 before it's over.

Have a great weekend and enjoy the great spring weather in most parts of the country.

Ron Brakke

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