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**Brakke Consulting's**  
**Animal Health News & Notes for April 2, 2004**  
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**NOW AVAILABLE:**  
**New Brakke Study on Pain Management Products!**  
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## **THE ROLE OF A CONSULTANT/AGENT IN ACQUISITIONS AND DIVESTITURES**

Here are some of the services Brakke Consulting can provide to assist you in an acquisition or divestiture process:

Development and assessment of alternatives

- valuation
- assessment of strategic position
- assessment of "keep" versus "sell"
- independent view of the alternatives

Initiate discussions with candidate partners

- sell candidates on value
- create a framework for discussions
- facilitate meetings at senior executive level

Brakke Consulting will provide details related to additional services in future newsletters. Please call or e-mail one of our offices for more information on our services.

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## COMPANY EARNINGS RELEASES

> Boehringer Ingelheim reported year-end revenues for its animal health division, **Boehringer Ingelheim Vetmedica**, were 315 million euros (\$395 million), slightly below 2002's revenues of 318 million euros, but an increase of 8% in local currencies. The swine and companion animal segments achieved significant market share gains, and the company's North American business showed a strong recovery. Boehringer Ingelheim Vetmedica also entered the Chinese swine market in 2003. (*company website*) [top](#)

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## COMPANY NEWS RELEASES

> **Pfizer Animal Health** announced the completion of its acquisition of the **CSL Animal Health** business, known as CSL in Australia and New Zealand and **Biocor** in the US. In Australia and New Zealand, CSL is the leader in the livestock vaccine market and occupies a strong position in the companion animal vaccine market. In the US, Biocor is a manufacturer and supplier of vaccines to the bovine, canine and feline markets. It markets the leading canine parenteral *Bordetella bronchiseptica* vaccine, Bronchicine CAe. The acquisition gives Pfizer a leadership position in Australia and New Zealand and an excellent foundation for significant future growth there and in neighboring regions. CSL's Biocor division based in Omaha, Nebraska, adds a manufacturing facility that meets global GMP standards. In addition, CSL Animal Health has developed immunosterilization vaccines: Improvac for swine and Equity for horses. (*company website*) [top](#)

> **TransForm Pharmaceuticals, Inc.** announced that it has entered into an agreement with **Fort Dodge Animal Health** to exclusively license TransForm's proprietary formulation of an anesthetic for veterinary use. This product is expected to have significant clinical and convenience advantages over current veterinary anesthesia products on the market, pending the approval of the FDA's Center of Veterinary Medicine and other required regulatory agencies. Under this agreement, Fort Dodge will gain worldwide rights to TransForm's proprietary formulation and will be responsible for commercialization of the product. (*Business Wire*) [top](#)

> **Fort Dodge Animal Health** announced the approval of Duramune Adult, the first USDA licensed vaccine with three year virus challenge data against canine parvo (CPV), canine distemper (CDV) and canine adenovirus (CAV). The new vaccine will be available in the second quarter of 2004. (*company press release*) [top](#)

> **Schering-Plough** announced that Estrumate (cloprostenol sodium) has returned to the market. Estrumate is indicated for estrus synchronization in cattle. (*Bovine Veterinarian*) [top](#)

> **Central Garden & Pet Company** announced that it has agreed to acquire substantially all of the assets of **Interpet Limited**, a division of Lawrence PLC, for approximately \$26.7 million and \$1.1 million in working capital. The parties have also executed a letter of intent for Central to acquire the assets of Lawrence's US subsidiary, **Aquarium Products**, for approximately \$1.3 million. Based in England, Interpet is a leading manufacturer and supplier of branded aquatic, pond, pet book and pet supplies products in the UK and the continental European Union. Annual sales are approximately \$30 million. The acquisition is expected to close in April. (*PETS International*) [top](#)

> **Pro Brands**, Ltd., announced the introduction of Provomec Pour-On ivermectin for cattle. The product, part of the Veterinarian's Rx line of animal health products, is available only through practicing veterinarians. (*Bovine Veterinarian*) [top](#)

> **Alltech** announced a US expansion plan that will open 13 new independent Alltech offices across the country. Each new Alltech will have its own marketing, sales and customer service team and will be able to participate in and fund research occurring at local universities. With the US expansion, Alltech will also be adding to its lecture tour program with the newly launched North American Lecture Tour. Alltech's North American Lecture Tour visited Wisconsin in November and Nebraska, New York, New England and mid-Atlantic states in January. (*company website*) [top](#)

> **PETSMART**, Inc. has declared a quarterly common stock cash dividend of 3 cents per share, representing an increase of a penny per share, or 50%. The dividend is payable on May 21, 2004, to shareholders of record at the close of business on April 30, 2004. (*Business Wire*) [top](#)

> **Banfield**, The Pet Hospital is partnering with **Fort Dodge Animal Health** to conduct a clinical field trial on Fort Dodge's newly approved canine Duramune Adult vaccine with 3-year duration of immunity data for Distemper, Hepatitis and Parvovirus (DHP). This is in addition to the safety and efficacy challenge studies submitted to the USDA for regulatory approval. The clinical field trial, sponsored by Fort Dodge, will take place in two stages at Banfield hospitals across the United States, using standard vaccination procedures. The first stage of the study will include 1,000 adult dogs who are due for their annual vaccination booster, with all adverse observations recorded. The second stage will be a post-marketing surveillance study of the 1,000 vaccinated dogs from the first stage of the study. This stage will track the overall health of the dogs, and possibly the level of protection afforded by the vaccine over the following three years. (*company press release*) [top](#)

> **Tyson Foods** Inc. announced that the Securities and Exchange Commission is investigating benefits received by certain directors and officers of the company. Those individuals include former senior chairman Don Tyson and current chairman and chief executive officer John Tyson. The press release said Tyson has been cooperating fully with the SEC and will continue to do so. It also noted that independent members of Tyson's board of directors have reviewed the matter and "the company does not believe that the amounts involved are material to the company's financial position or results of operations." (*Meating Place*) [top](#)

> **Smithfield Foods** Chairman and CEO Joe Luter III sold one million shares of his company's stock, according to documents filed with the SEC. Luter turns 65 this year and his management contract with the company is slated to expire next year. A Smithfield statement said Luter's stock sale was motivated by his "estate planning and diversification of assets." Luter remains the company's largest single shareholder, owning 4.7 million shares of Smithfield, or about 4.2%, of the company's stock. (*Meating Place*) [top](#)

> The Kentucky Beef Network (KBN) has selected **AgInfoLink** to provide a comprehensive suite of information management solutions ranging from data collection and online data retrieval and reporting to sale barn cattle source verification. These solutions were developed to match the needs of KBN members giving them the ability to keep accurate performance records, to expand their marketing opportunities, and to comply with an approaching National Identification program. The Kentucky Beef Network provides Kentucky's beef producers with information and educational opportunities dealing with issues such as quality assurance, records management, value-added sales, and custom weaning and backgrounding centers. (*company press release*) [top](#)

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**### NEW BRAKKE CONSULTING REPORT ###**

## PAIN MANAGEMENT PRODUCTS FOR DOGS AND CATS

\*\*\*\*\*NOW AVAILABLE\*\*\*\*\*

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 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](mailto:lfondon@brakkeconsulting.com). [top](#)

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### ANIMAL HEALTH NEWS

> POLAND Two new cases of BSE were confirmed in southern and central Poland, bringing to 13 the total discovered so far in the country. One of the sick animals was a seven-year-old cow from the western region of the country, and the other was an eight-year-old cow from Lublin, in the east. The disease was discovered during a routine test at a slaughterhouse. (*AnimalNet - Agence France Presse*)

> SLOVENIA A fourth case of BSE was detected in Slovenia last week, according to the agricultural ministry. Samples from a four-year-old cow of Slovenian origin tested positive for the disease. The last case reported in Slovenia was one year ago. (*AnimalNet - Agence France Presse*)

> CANADA Avian influenza has spread outside a quarantined hot zone in British Columbia's Fraser Valley to another farm in western Canada, according to published reports. The Canadian Food Inspection Agency has now confirmed bird flu on seven commercial farms: six within a 3 mile high-risk region and one in a broader control area. The latest farm to be hit was sealed off March 29 after tests suggested birds there might have been infected. Health officials said those tests have now proved to be positive. (*Meating Place*)

> US Animal health officials have announced that an outbreak of the H5N2 strain of highly pathogenic avian influenza (AI) near Gonzales, Texas, has been eradicated, after tests on more than 352 noncommercial flocks did not detect additional infection. For more than five weeks, a

task force comprised of veterinarians and animal health inspectors from the Texas Animal Health Commission (TAHC) and USDA's Veterinary Services combed the area around Gonzales to locate and test noncommercial flocks, to ensure the contagious poultry virus had not spread from a single infected flock that was detected and depopulated in February. Disease surveillance samples submitted by commercial poultry operators in the area also have tested negative for the virus. *(TAHC press release)*

> EU The European Union lifted a ban on most US and Canadian poultry imports. The EU prohibited poultry imports from those two countries after avian influenza was diagnosed in commercial and private bird flocks. However, the trading block left in place a ban on imports of poultry and poultry products from Texas and parts of British Columbia due to continued concerns over the highly pathogenic strains of AI. The restrictions on Texas will remain until August 23 and in British Columbia until October 1, although in both cases it may be reviewed earlier as the situation develops. *(Wattnet Meatnews)*

> US The USDA has formally notified Japan and other trade partners that American beef is safe and asked the countries to lift bans on America's beef. Chief Veterinarian Ron DeHaven said in letters sent to his counterparts that USDA's investigations show US beef is safe to eat, a principal step in restarting negotiations to lift bans imposed after America's first case of BSE. The letters were accompanied by summaries of steps taken by USDA to protect the beef supply from BSE. *(Meating Place)*

> JAPAN Japan does not support a US proposal to set worldwide testing standards for BSE by the end of the month, according to a Japanese official. The US wants the World Organization for Animal Health to set international standards before April 30. The organization collects and distributes data on animal diseases from 166 member nations. *(AP)*

> US USDA's Animal and Plant Health Inspection Service (APHIS) announced the approval of seven geographically dispersed state laboratories that will assist in the expanded surveillance program for BSE. The laboratories will receive federal funding as needed for high throughput testing equipment. They are located in California; Colorado; Texas; Wisconsin; Washington; Georgia; and New York. Other laboratories that meet specific criteria may be certified to analyze surveillance samples in the future. These certified laboratories are part of an existing network of state and federal labs that assist APHIS with animal disease testing as needed. The labs will use approved rapid tests for BSE. USDA's National Veterinary Services Laboratory in Ames, Iowa remains the national reference laboratory for BSE and will conduct confirmatory testing. *(Wattnet Meatnews)*

> US The USDA's BSE testing lab, located in a strip mall in Ames, Iowa, is not secure enough for storage of BSE tissue samples, according to a USDA investigative report. The facility, part of the department's Animal and Plant Health Inspection Service (APHIS), is close to other businesses and has limited security at its entrances and exits, said the report by the Inspector General's office, a part of USDA which conducts independent investigations. APHIS officials had stated that "all pathogens of consequence had been removed," but investigators learned later from a laboratory official that a BSE tissue sample remained. Officials of APHIS said the tissue samples posed little risk, but agreed they should not be in the strip mall facility and had them removed. The facility is to be relocated as part of a renovation of APHIS' National Centers for Animal Health, which is under way. *(AP)*

> US The Hawaii House of Representatives is considering a resolution asking the state's health department to investigate the use of growth hormones and antibiotics in chickens. The resolution was introduced last week and heads to the House Health Committee this week. If the Hawaii legislature approves the resolution, the Hawaii Department of Health will submit a report and possible legislation in connection with its findings by next January. *(Meating Place)*

> US Two California state senators have introduced legislation requiring consumer notification of any USDA recall dealing with meat and poultry. The bill is the second in a two-bill package designed to address problems with meat safety. If enacted, the bill would create a three-part process for public notification of a recall, including (1) requiring meat and poultry distributors and suppliers to notify the state Department of Health Services of all locations that received tainted meat or poultry; (2) requiring the department to inform local and environmental health officers within 24 hours of locations receiving tainted product; and (3) requiring the department and local officers to notify the public once the existence of contaminated product has been confirmed. *(Meating Place)*

> US A new farmer-owned packing plant aims to be the hog butcher to a very select crowd, from the New York restaurant owner who wants every pork chop cut exactly the same to customers in Asia who want to trace the meat they eat all the way back to the barn. The \$28 million plant, just two months old, is being closely watched to see whether it might become a model for improving Illinois' declining pork industry. *(AP)*

> US Loss of domestic animal breeds around the world is continuing at an alarming rate, the UN Food and Agriculture Organization (FAO) warned in a report. The trend of animal genetic erosion, outlined by the FAO World Watch List in 2000, is continuing. According to the World Watch List, out of the around 6300 breeds registered by FAO, 1350 are threatened by extinction or are already extinct. A preliminary assessment of new data received from more than 80 country reports shows now that the number of breeds threatened by extinction is further increasing. FAO expects more than 140 country reports to be submitted by June 2004. Final results will be published in FAO's first State of the World Report on Animal Genetic Resources, to be issued in 2006. *(PRNewswire)*

> US Research at the University of California, San Diego suggests that those who think purebred dogs look like their owners are barking up the right tree, but matching a mutt to its master is another thing. The study indicated that when people pick a dog, they look for one that, at some level, bears some resemblance to them. And when they get a purebred dog, they get what they want. When given a choice of two dogs, judges correctly matched 25 purebreds with their owners nearly two out of three times. With mutts, however, the judges missed as often as they matched. The study's co-author stated, "When you pick a purebred, you pick it specifically because of how it's going to look as a grown-up," whereas mutt owners make their choice on the spur-of-the-moment at a dog pound, not knowing what a puppy will look like. The study appears in the current issue of the journal Psychological Science. *(AP)*

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**Animal Agriculture Alliance  
Key Stakeholders Summit  
March 22 - 24, 2004**

On March 22-24, the Animal Agriculture Alliance hosted the Third Annual Stakeholders Summit at the Crystal City Hilton in Arlington, Virginia. Over 125 high level representatives of American animal agriculture met to share ideas and learn from the program themed, "Animal Welfare's Importance to the Food Chain - Turning Challenges into Opportunities."

The conference keynote speaker, Philip Clemens, Chairman and CEO of Hatfield Quality Meats, discussed how the food industry can advance animal welfare, be progressive and still stay in business. Clemens also emphasized the importance of a coordinated communications message, involving the entire food chain, from farmers to veterinarians to processors to grocers to retailers, because "we have a great story to tell."

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## AGRIBUSINESS NEWS

> **Monsanto** Co. reported that it has signed a deal to sell assets of its European wheat and barley business to France based RAGT Genetique SA as part of Monsanto's global restructuring. Financial terms were not disclosed. As part of the sale, RAGT gets assets including the wheat and barley seed-breeding sites in France, Germany, and the Czech Republic. After completing the divestiture, Monsanto expects to post a net gain of roughly \$25 million before taxes after accounting for currency adjustments and transactional costs. Monsanto had bought the European seed and breeding assets in 1998 from Unilever largely to develop hybrid wheat, only to see lackluster performance of the operations since then, according to a company spokesman. (AP)

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## BRASSE CONSULTING VIEWPOINT

The first quarter of 2004 ended on Wednesday of this past week and by all indications, it was a good quarter for most companies. The companion animal markets continue to grow at a nice rate of 6%-plus. Even with all of the disease and food safety issues, the food animal sector appears to be above most ag economists' expectations for pricing.

We've been involved in mergers, acquisitions and divestitures since the firm was started 18 years ago April 15th. We've never seen the activity level as high as its been the past few months in this area. There are more interested strategic and financial buyers than we've observed in a long time. In the past 18 years, we've been involved in over 60 transactions, either as agent, finder, or consultant. Please give us a call if you're interested in learning more about our services in the area of M&A. Consolidation seems to continue to be the name of the game for this industry.

Have a great weekend.

*Ron Brasse*

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