
**Brakke Consulting's
Animal Health News & Notes for April 23, 2004**
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BRAKKE CONSULTING, INC.
Executive and Sales Force Recruiting Services

- How much industry experience would you like in a search firm you retain?
- Has the search firm you use ever filled an animal health position?
- Has the search firm your company is utilizing participated in and supported industry events?

If you are using Brakke Consulting as your animal health search firm, you are already aware that we focus on the animal health, pet and veterinary markets. We have filled over 200 positions at all management levels within the industry in the past 10 years.

Brakke Consulting is intimately involved with and supports the animal health industry. We provide top-quality search services at competitive rates. Please call or e-mail one of our offices for more information on our recruiting services. www.BrakkeConsulting.com

COMPANY EARNINGS RELEASES

> **Pfizer** reported first quarter 2004 revenues for its animal health division were \$428 million, an increase of 59% compared to the first quarter of 2003. The results reflect the addition of the Pharmacia product portfolio, which was finalized in April 2003. Results were also driven by strong performances by Rimadyl, Revolution, and Clavamox/ Synulox, and cattle biologicals, and by a favorable currency impact. (*company website*)

> Akzo Nobel reported revenues for the first quarter of 2004 for its animal health division **Intervet** were 257 million euros (\$313 million), representing 5% autonomous growth for the division. (*company website*)

> Wyeth reported revenues for the first quarter of 2004 for its animal health division **Fort Dodge** increased 20% to \$219 million, due primarily to higher sales of ProHeart 6. Excluding the favorable impact of foreign exchange, revenues increased 13% compared to the first quarter in the prior year. (*company website*)

> Eli Lilly reported revenues for the first quarter of 2004 for its animal health division **Elanco** increased 6% to \$182 million compared to the first quarter of 2003. (*company website*)

> **Novartis** reported that Animal Health sales in the first quarter of 2004 were \$168 million, a 7% increase (decline of 2% in local currency) compared to the previous year's first quarter. Taking into account the effect of brands divested in 2003, sales posted strong double-digit growth and are well ahead of market growth in local currency. Sales were driven by the new companion animal products Milbemax, Atopica, and Deramaxx. (*company communication*)

> **Schering-Plough** reported that sales of Animal Health products were \$170 million in the first quarter of 2004, an increase of 19% compared to the comparable period in the prior year. Sales were helped by favorable foreign exchange and growth in the livestock product line. (*company website*)

> **Virbac SA** reported turnover of 85 million euros (\$103 million) for the first quarter of 2004, a decrease of 4% compared to the first quarter of 2003. At constant exchange rates, turnover increased 1.4% compared to the comparable period in the prior year, excluding acquisitions and impact of the termination of pet food distribution agreements, and after restatement of the first quarter 2003 sales of the US subsidiary Virbac Corp. The Group recorded a sustained growth in the US and a decrease in Europe, Asia and Latin America. The Companion Animal Business reported proforma growth of 8% mainly due to dermatologicals, specialties and equine products. The Food Producing Animal Business decreased by 9%, impacted in particular by economical difficulties of the swine sector in Europe and the poultry crisis in Asia. (*company website*)

> **IDEXX Laboratories, Inc.** reported that net income increased 47% to \$17.8 million for the quarter ended March 31, 2004 compared to the same period in 2003. Revenue for the first quarter of 2004 increased 22% to \$133 million compared to the first quarter of 2003. The favorable impact of currency contributed 5% to revenue growth. Companion Animal Group (CAG) revenue for the first quarter of 2004 was \$110 million, a 25% increase compared to the first quarter of 2003. This increase resulted primarily from increased sales of instruments and consumables, rapid assays and laboratory services. (*company website*)

> Colgate-Palmolive reported that revenues for the first quarter 2004 for **Hill's Pet Nutrition** were \$336 million, an increase of 9% compared to the first quarter of the prior year. Healthy results both domestically and internationally contributed to 4.0% global volume growth in the first

quarter. Dollar operating profit increased 9% after increased commercial investment. (*company website*)

> **eMerge Interactive** reported results for the first quarter of 2004. Revenues for the quarter increased 7% to \$174,000 compared to the first quarter of 2003. Net loss for the quarter was (\$905,000) compared to a net loss of (\$2.8 million) in the first quarter of 2003. Included in the 2004 net loss figure is \$1.6 million in non-cash net gains. (*company press release*)

COMPANY NEWS RELEASES

> **Novartis** AG said that it is ready to enter merger talks with **Aventis**, which has been resisting a hostile offer from its smaller French rival **Sanofi-Synthelabo** SA. Novartis said its board "has decided to accept the offer of the Aventis supervisory board to negotiate conditions for a potential business combination." Sanofi had offered 45.1 billion euros (\$54.8 billion) for Aventis in January, but Aventis rejected the bid and has been looking for other potential partners. (*AP*)

> **Del Monte** Foods Company announced that its principal operating subsidiary, Del Monte Corporation, and DLM Foods Canada Corp. have completed the sale of all Del Monte's rights in the **IVD** and **Medi-Cal** brands of dog and cat food, as well as its rights in the **Techni-Cal** brand of pet food, in the US and Canada, to **Royal Canin** for \$82.5 million. This transaction was originally announced on February 6, 2004. (*Business Wire*)

> **Bioniche** Life Sciences Inc. announced that it has acquired from **Pfizer** Inc. the intellectual property and other assets of the Cue-Mate business, an innovative livestock reproductive technology. Cue-Mate will complement the range of reproductive technologies and services developed and marketed by **Bioniche Animal Health**, a division of Bioniche Life Sciences Inc. Cue-Mate is a uniquely designed progesterone delivery device for cows that allows dairy farmers and cattle producers to plan and manage the reproductive timing of their herds. Cue-Mate is currently registered and commercially available in Australia, New Zealand, Chile, and Argentina. Financial terms were not disclosed. (*company press release*)

> **VetCentric**, Inc. announced its affiliation with **Vétoquinol SA**. The agreement with Vétoquinol provides home delivery of the EVSCO product line on behalf of prescribing veterinarians. Beginning March 15th, 2004 VetCentric's Central Pharmacy will stock the small animal line from Vétoquinol ready for direct delivery on behalf of its Partner Practices. VetCentric's prescription management services will enable Vétoquinol to expand its reach to veterinarians and clients. (*company press release*)

> **Bioproducts**, Inc. and **Lallemand** Inc. announced the formation of a strategic alliance involving marketing, sales and distribution of Levucell SC for dairies in North America and the commitment to develop new microbial strains for specific ruminant and pet food applications. Both companies will work jointly in the US, Mexico, and Canada on increasing overall demand for Levucell SC by educating feed manufacturers, nutritionists and end-users on its numerous benefits to dairy cattle. (*company press release*)

> **Tridelta** PLC, announced the introduction of a new, rapid pregnancy test for horses. The simple rapid test detects estrone sulfate, a steroid produced by the fetal-placental unit in all breeds of horses in response to viable pregnancy. A small drop of blood serum or plasma is applied to a simple cassette type device to determine whether or not the mare is pregnant, as well as whether the foal being carried is viable or not. The test takes only 5-10 minutes to carry out and can be done horse-side with no need for sophisticated laboratory equipment. The EquiTest-ES is available from Tridelta and selected distributors in Europe and the US. (*company press release*)

**National Institute for Animal Agriculture's
ID/INFO EXPO
May 18 - 20, 2004
Chicago, IL**

The National Institute for Animal Agriculture (NIAA) announced ID/INFO EXPO 2004, a conference and trade show devoted to the subject of animal identification and information systems.

ID/INFO EXPO 2004 is scheduled for May 18-20, 2004, in Chicago, Ill. This event follows a similar national gathering facilitated by NIAA in 2002 and will focus largely on the US Animal Identification Plan that has been proposed by a team of industry representatives and government officials working on a national system for animal identification in the US. Topics will include premises identification, group/lot ID, ID distribution, ID devices/methods, governance, security, confidentiality, and many more.

To register or for more details, visit www.animalagriculture.org.

ANIMAL HEALTH NEWS

> **RUSSIA - FOOT AND MOUTH DISEASE** An outbreak of foot and mouth disease among cattle in far eastern Russia has prompted a state of emergency. Infection prevention measures include mandatory vaccination of all animals in the private sector and tightened control over all animal breeding products at market places and in shops. A state of emergency had been introduced in six districts of the Amur region as well. Officials there have decided to slaughter over 1,000 head of cattle bred at the Sadovoye settlement farm in the Tambov region, where foot and mouth disease was detected on April 15. (*Meating Place*)

> **SPAIN - BSE** Spain reported its 33rd case of BSE this year. The case was discovered through standard testing of carcasses. Spain has reported a total of 411 cases of BSE since the disease was first identified there in 1998. (*AnimalNet - Meat News*)

> **CZECH REPUBLIC - BSE** The state veterinary authority in the Czech Republic announced that final tests have confirmed the tenth case of BSE in the Republic, in a 6 1/2 year old cow slaughtered last week. Another 59 cows on the farm will be slaughtered as a precaution. (*AnimalNet - AP*)

> **MEXICO - IMPORT BAN LIFTED** Mexico's Agriculture Department announced plans to lift restrictions on poultry imports from four US states. The decision reopens the door for imports of live birds and poultry products and side-products from North Carolina, Maine, Virginia and West Virginia. Restrictions will remain in place on poultry imports from California, Connecticut, Delaware, Maryland, Pennsylvania and Texas. (*AP*)

> **US - PRODUCT SALES TRACING** **Focus Technology Group (FTG)** and the American Veterinary Distributors Association (AVDA) announced an endorsement of FTG sales tracing services in the animal health industry. AVDA is endorsing FTG's sales tracing service as a streamlined conduit, allowing distributors to send sales tracings in one file to multiple designated manufacturers, eliminating the need to respond to multiple 'Ad Hoc' report requests and ultimately taking costs out of the supply chain. FTG will serve as an industry hub for distributors to submit data, providing the industry with a much-needed resource for sales information. (*company press release*)

> US - BSE TESTING COST The USDA's chief economist reported that the US government may pay about one-third of the estimated \$550 million cost to set up an animal identification system. He added that he believed that the USDA was close to gaining White House approval to dip into emergency funding so it can launch the nationwide ID plan this year. The USDA said it expects to be a partner in bearing the cost of the program, along with state governments and the livestock industry. (*AnimalNet - Reuters*)

> US - IMPORT BAN LIFTED The USDA announced that it will permit importation of all edible beef products from Canadian cattle under 30 months old into the US, including bone-in products and offal. Beef from older cattle is still banned from US markets. The USDA is still weighing its decision to allow importation of live Canadian cattle. (*Wattnet Meatnews*)

> JAPAN - BEEF TRACEABILITY Trading house **Itochu Corp.** reported it will create a system that can trace the lineage of Japanese cows using micro integrated circuit chips. Under the system, which is aimed at confirming the safety of domestic beef, microchips will be attached to cases of semen used in artificial insemination, as well as to calves, beef packages at retailers and at other stages of the distribution process. (*AnimalNet - Knight-Ridder Tribune*)

> US - FARM SUBSIDIES A multibillion-dollar loan program in the USDA wants to define family farms as meeting one of two conditions: They either bring in less than \$750,000 in gross annual income or they cannot be in the top 5% in their state in gross annual income. That hard-dollar determination has many farmers worried about their ability to get financing. Some expect they will have to choose between expanding to remain successful or staying small to qualify for low-cost federal financing. The program provides a tremendous amount of financial support to farmers: some \$750 million or so in direct loans to family farms every year, and another \$2.5 billion in loan guarantees. The proposed changes mark the first time the program has sought to strictly define just what is a family farm. The most vocal complaints have come from dairy farmers. Measuring by gross income, they argue, ignores the higher operating costs inherent for cows, feed, milking machines and other costs. (*AP*)

> US - ANTIBIOTIC RESISTANCE RESEARCH Researchers at the University of Georgia have found that poultry litter contains a much larger number of microbial agents that collect and express antibiotic-resistant genes than was previously known. The study, published April 20 in the *Proceedings of the National Academy of Sciences*, shows that waste left behind by flocks raised in chicken houses is rich in genes called integrons, which promote the spread and persistence of clusters of various antibiotic resistant genes. Until now, scientists have only studied integrons in pathogenic bacteria such as *Salmonella* and *E. coli*. One integron type called int1, typically found in *E. coli* and *Salmonella*, was up to 500 times more abundant than these bacteria were in litter. Additional research revealed that integrons are also carried by so-called Gram positive bacteria that are much more abundant in litter than the *E. coli*-type bugs, called Gram negative bacteria. The next step for the UGA team is to see whether these resistance gene clustering systems are present in previously unrecognized reservoirs in companion animals and humans. (*Meating Place*)

> UK - ANIMAL WELFARE According to *The Daily Mirror*, Lloyd Maunder Chicken puts eight inflatable balls into each of its hen houses so birds can play with them, and the practice has earned the company an award from the Royal Society for the Prevention of Cruelty to Animals. "They peck them, push them around, jump on them, balance and fall off," according to the firm's general manager. The company received RSPCA's Freedom Label, since the birds are free from pain and distress and can "express normal behavior." (*Meating Place*)

BRAKKE CONSULTING VIEWPOINT

Wow! What a great first quarter for the companies reporting results this week. It appears that 2004 might be headed for one of the best years in some time.

In the US the companion animal market should remain strong throughout the year based on general consumer trends. The current high prices for animal protein should continue at least through the third quarter, and will have a positive impact on the sales in all product categories.

We hope that many of you will use this opportunity to invest in the future for your business. As you start your 2005 planning process, remember that what you invest in 2004 should improve performance in 2005 and beyond.

Have a great weekend.

Ron Brakke

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