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**Brakke Consulting's  
Animal Health News & Notes for May 5, 2006**  
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**COMPANY EARNINGS RELEASES**

> **Alpharma** reported results for the first quarter of 2006. Animal Health revenues increased 10% to \$81.7 million compared to \$74.5 million in 2005. Revenue growth was driven by strong sales in US livestock markets and increased sales in Europe and Asia. Global sales of poultry products in the first quarter of 2006 were comparable to 2005 levels. Operating margins were 20.8% in 2006 versus 18.4% in the first quarter of 2005. (*company press release*)

> **MWI Veterinary Supply**, Inc. announced financial results for its second quarter ended on March 31, 2006. Total revenues grew 23% to \$143 million for the three months ended March 31, 2006. Net income increased 296% to \$2.4 million for the three months ended March 31, 2006 compared to \$0.6 million for the three months ended March 31, 2005. (*company website*)

> **Digital Angel** Corporation announced results for its first quarter ended March 31, 2006. Animal Application segment revenue for the current quarter grew 39% to \$11.5 million. The increase resulted from continued companion pet and livestock sales growth and the inclusion of a full quarter's revenue from Denmark-based DSD Holdings and its wholly-owned subsidiary, Diploma International A/S, which was purchased by Digital Angel in February 2005. The first quarter of 2005 only included approximately one month of Diploma sales results. (*company website*)

> **Central Garden & Pet Company** announced results for the second quarter ended March 25, 2006. For the second quarter of fiscal 2006 the Company reported net sales of \$401 million, an

increase of 6% from the comparable 2005 period. Net income for the quarter increased 17% to \$26.2 million. Net sales for the Pet Products segment were \$187 million, an increase of 18% compared to the second quarter of fiscal 2005. (*Business Wire*)

> **Abaxis**, Inc. reported financial results for the fourth quarter and the fiscal year ended March 31, 2006. For the twelve-month period ended March 31, 2006, Abaxis reported total revenues of \$69 million, compared with revenues of \$53 million for the comparable period last year, an increase of 31%. Veterinary Market revenues for the year were \$54 million, an increase of 26% over revenues of \$43 million in the prior fiscal year. (*company website*)

> **Tyson Foods**, Inc. reported results for the second fiscal quarter ended April 1, 2006. Second quarter 2006 sales were \$6.3 billion compared to \$6.4 billion for the same period last year. net loss was (\$127 million) compared to net income of \$76 million for the same period last year. The company stated that the quarter's results reflected the depressed markets and the oversupply of all proteins, particularly in the beef and pork segments. (*company website*)

> **Pilgrim's Pride Corp.** reported a loss of (\$32 million) for the three months ended April 1, 2006, compared with profits of \$56 million a year ago. Sales for the quarter were \$1.27 billion, an 8% decrease from last year's sales of \$1.38 billion. (*Meating Place*)

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**BRASSE CONSULTING, INC.**  
**Communication is Vital**

One of the largest yearly investments most companies make is in Advertising and Promotion. When was the last time you seriously evaluated your program? Are you using the right mix of sales promotion, public relations, database marketing and advertising? Do you have a customer retention program? Are you taking advantage of global synergies? Do you have an Internet strategy, or merely a web site? Are your communications agencies performing? Brasse Consulting, Inc. has the experience and ability to evaluate, audit, and help improve the communication challenges all company's have. Contact information for all offices are available on our website at [www.brasseconsulting.com](http://www.brasseconsulting.com)

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**COMPANY NEWS RELEASES**

> **Bayer Animal Health** announced the release of its FDA-approved Drontal Plus Taste Tabs (praziquantel/pyrantel pamoate/febantel), a deworming treatment for dogs. In a recent unaided palatability test, Bayer found that nine out of ten dogs readily ate Drontal Plus Taste Tabs. The tablets protect against and remove tapeworms, hookworms, roundworms, and whipworms. (*PRNewswire*)

> **Altair Nanotechnologies Inc.** announced it has entered into a Collaborative Research, License and Commercialization Agreement with **Elanco Animal Health**. The agreement provides Elanco with exclusive rights to develop animal health products using Altair Nano's nanotechnology-based products. (*Market Wire*)

> **Virbac** and GSK India approved the terms of an agreement upon which Virbac will acquire GSK India's veterinary division, known under the **Agrivet Farm Care** (AFC) commercial name. AFC recorded sales close to EUR 21 million in 2005. The transaction, which amounts to approximately EUR 37 million, should become effective in the coming months after all necessary approvals are obtained. This deal will allow Virbac to become the leader in the Indian veterinary

market. Holding a market share of above 10%, AFC markets a large range of products, in particular for cattle. *(Bourse)*

> **Veterinary Products Laboratories (VPL)** announced the launch of its Dog Appeasing Pheromone (D.A.P.) in a collar form. The new D.A.P. Collar is the first-of-its-kind and offers continual release of the same natural appeasing pheromone emitted by mother dogs to calm and reassure their puppies. Activated by the dog's body heat, the D.A.P. Collar releases pheromone over four weeks. *(company press release)*

> **Farnam** announced the introduction of the LTS Tag Recorder, a rugged Palm-based Personal Digital Assistant (PDA) with an integrated RFID reader and data accumulator designed for a variety of applications in livestock identification. It functions as a stand-alone unit in the field and comes with a user-definable software interface that can be customized with multiple sets of data collection fields to suit individual requirements. This unit offers the versatility of switching from one set of data collection fields to another without downloading the data to a PC or laptop first. *(company press release)*

> **MSC (Milk Specialties Company)** announced that it has been acquired in a management-led buyout with the support of Stonehenge Partners, Columbus, Ohio. MSC is a leading manufacturer of specialty nutrition products for the worldwide animal-production industry. The company's primary products include protein-encapsulated fats, energy supplements, derivatives from whey, whey proteins and animal milk replacers. Financial terms were not disclosed. *(company press release)*

> **Hill's Pet Nutrition Inc.** announced a partnership with Bank of America to offer the PetRewards VISA credit card. The card will offer rewards to both health care team members and pet owners. The entire clinic team may receive incentives for promoting the PetRewards card. PetRewards card holders will also receive one point for every dollar spent on everyday purchases and two points for every dollar spent on pet-related purchases in participating veterinary clinics, pet specialty retailers, neighborhood and farm and feed stores. *(company press release)*

> **MISCO** introduced the new VETMED Refractometer; a portable digital testing instrument designed for the analysis of animal blood and urine in a clinical veterinary practice or testing laboratory. The VETMED may be used to instantly and accurately measure urine specific gravity, blood plasma protein concentration, peritoneal, pleural, and other bodily fluids. The standard VETMED01 has four scales for testing dog, large animal, and cat urine, as well as total protein concentration. The VETMED02 has urine specific gravity scales for dogs and cats. Dozens of other scales are available, including scales for testing rabbits and guinea pigs. Scales may be mixed and matched to create custom instruments. *(PRWeb)*

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**CONSULTANT PROFILE**  
**JOHN VOLK, SENIOR CONSULTANT**

John Volk is a seasoned executive with strong skills in strategic planning, new product introductions, corporate identity, market research, marketing and communications. He has deep experience in the companion animal, equine and food animal segments of animal health and nutrition.

This Washington, Illinois, native attended the University of Illinois, where he earned a BS in agricultural communications and did graduate work in marketing. While in graduate school, he served on the faculty of the University of Illinois College of Veterinary Medicine as communications director. He is a skilled and widely published writer.

Prior to joining Brakke Consulting, John was president of The John Volk Company, a company he founded in 1974. It was one of the leading advertising and public relations firms in the agricultural and veterinary markets, serving such clients as Pfizer Animal Health, Merck Agvet (now Merial), Ralston Purina pet foods, Moorman feeds, Synbiotics and many others.

After selling his communications firm, John joined Brakke in 1994. His principal work with clients includes:

- Strategic planning
- Market research
- Technology and new product evaluations
- Marketing and branding consulting
- Project management

#### What does John see for the future of animal health?

The proliferation of brands in virtually every major product category places an increasing premium on marketing, customer knowledge and service. Those companies who invest in understanding consumer behavior and viewing their products through the eyes of their customers have a bright future.

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### **ANIMAL HEALTH NEWS**

> UK - H7 AVIAN INFLUENZA Tests on samples of chickens found dead on a Norfolk poultry farm have established that they had the H7N3 avian flu virus, rather than H5N1. (*AnimalNet - Food Standards Agency*)

> US - MILD FORM OF AVIAN INFLUENZA Authorities have discovered a mild form of avian influenza at a live bird market in New Jersey, but it is not the H5N1 strain. Preliminary tests from the National Veterinary Services laboratory were negative for type N1 of the virus. More tests are pending at laboratories of the USDA in Ames, Iowa, to confirm the strain of the virus. The market owner voluntarily depopulated his existing flock, and the market has undergone cleaning and disinfecting under New Jersey Department of Agriculture supervision. (*Reuters*)

> BRAZIL - FMD VACCINATION Ranchers in 15 Brazilian states began vaccinating cattle against foot-and-mouth disease this week as part of a nationwide campaign to eradicate the disease that has caused many countries to boycott Brazilian beef. Citing figures from the agriculture ministry, Brazil's governmental news agency said that close to 140 million head of cattle are expected to be vaccinated during the campaign. (*Drovers Alert*)

> US - BSE ESTIMATES RELEASED The US Secretary of Agriculture released the agency's estimate of the prevalence of BSE in the US. Using results from the enhanced surveillance program in place since the summer of 2004 as well as more limited data from the five years prior to 2004, the agency determined that there are between four and seven undiscovered cases of BSE in the country. After the full report is peer-reviewed, USDA will design an ongoing BSE surveillance program that matches the risk under World Animal Health Organization (OIE) standards. (*CattleNetwork*)

> US - AVIAN INFLUENZA PLAN The US National Strategy for Pandemic Influenza includes a federal response to protect animal health. In addition to the expanded surveillance and monitoring already underway, the plan said a National Veterinary Stockpile is equipped with personal protective gear, disinfectants, diagnostic tools and some vaccine. The current 40 million doses of vaccine for birds will be increased to 110 million. In the event of detecting highly pathogenic H5N1 in the US, vaccination will be used to protect high-value breeding birds and to control any

hot spots where other control measures are unable to guarantee that the disease can be stamped out. (*Feedstuffs online*)

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## **BRAKKE CONSULTING VIEWPOINT**

Several items in this week’s newsletter poignantly illustrate the global nature of food production and animal health. In the “Earnings” section, both Pilgrim’s Pride and Tyson reported weak financial results. In the “Animal Health News” section there are reports on avian influenza, BSE, and foot-and-mouth disease (FMD). Because these are all trade-disrupting diseases, protein is backing up in the major producing countries like the US and driving down meat prices.

Meanwhile, there are shortages and higher meat prices in major importing countries. It doesn’t appear that the problem has had a material impact on animal health company earnings – yet. But it inevitably will. Of course, there’s opportunity in this as well. Companies that develop new technology to help manage such diseases as avian influenza, BSE and FMD stand to reap big rewards, as well as the undying gratitude of the global meat industry.

Have a great weekend.

*John Volk*

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