
**Brakke Consulting's
Animal Health News & Notes for June 30, 2006**
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COMPANY EARNINGS RELEASES

> **Spectrum Brands**, Inc. announced results for its fiscal second quarter ended April 2, 2006. In 2006, Spectrum Brands created the Global Pet segment, a new business segment for reporting purposes, comprising **United Pet Group**, **Tetra** and **Jungle Labs**, all of which were acquired during 2005. The Global Pet segment contributed net sales of \$137.8 million and segment profits of \$21.6 million during the second quarter. This compares to segment revenues of \$132.8 million and segment profits of \$20.6 million in the second fiscal quarter of last year when adjusted to include acquisitions for the full quarter. (*company website*)

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COMPANY NEWS RELEASES

> **Merial** announced the launch of RECOMBITEK KC2, an intranasal vaccine that protects dogs from highly contagious, infectious tracheobronchitis, also known as kennel cough. (*company press release*)

> IDEXX Production Animal Services, a division of **IDEXX Laboratories**, Inc. announce USDA approval of its new improved HerdChek *Mycobacterium paratuberculosis* Antibody Test Kit. The test offers improved specificity and superior detection of *Mycobacterium paratuberculosis*. (*company website*)

> **Vets Plus**, Inc. and **Bomac Animal Health** announced an alliance between the two companies wherein Vets Plus will market and distribute Bomac products. Bomac will also capitalize on Vets Plus' manufacturing strength and capabilities. Bomac Animal Health USA activities will be merged with Vets Plus. (*company press release*)

> **Neogen** Corporation announced that it has been included in the new NASDAQ Global Select Market. The NASDAQ Global Select Market has the highest initial listing standards of any exchange in the world based on financial and liquidity requirements. The new NASDAQ Global Select Market tier, which will become effective on July 3, includes approximately 1,200 companies of the approximately 3,200 companies listed by NASDAQ. (*company press release*)

> Mount Sinai School of Medicine announced that it has entered into a territory limited license agreement with **Avimex Animal Health**. The privately owned world-leader in the avian influenza H5 emulsified vaccine market will use Mount Sinai's patented live recombinant Newcastle disease technology that contains an insertion of the H5 gene, for use in Brazil, India, Japan, Mexico, and Taiwan. (*AnimalNet - press release*)

> **Diamond Pet Foods** introduced a new line of natural pet foods containing no corn or soy. The new Diamond Naturals line includes lamb meal and rice, and beef meal and rice formulas. A natural cat food is part of the line. (*Pet Product News*)

> **Western Stockmen's**, a business unit of **J.R. Simplot Co.**, announced that it is recalling all Pride Mature Horse feed, Lot No. 7701-050306, because it may contain monensin sodium (Rumensin), a drug compound approved for use in some livestock species that can be fatal if fed to horses. At least two horse deaths related to the consumption of this feed and additional illnesses are also being investigated. (*Feedstuffs*)

> **Orion Group** announced it will split into two new entities, separating its pharmaceuticals and diagnostics businesses from its wholesale and distribution activities. Orion's wholesale and distribution activities will form the newly created company Oriola-KD, while the pharmaceuticals business, which includes animal health, together with the diagnostics division, will make up Orion Corporation. (*Animal Pharm*)

> **Sara Lee Corp.** announced that it will sell its European meats business to **Smithfield Foods** for \$575 million in cash and the assumption of \$39 million in pension and other liabilities. Sara's Lee's European meats division had \$1.1 billion in sales last year. Smithfield plans to complete and finance the acquisition through a 50%-owned joint venture with Oaktree Capital Management. Smithfield also said it will contribute its Jean Caby operations, which produces branded and private label processed meats in France and other European countries, to the joint venture. (*Meating Place*)

> The 2002 bankruptcy of **Farmland Industries**, the once giant farming collective that sold its pork operations to Smithfield Foods, was completed last week, with creditors receiving an unusually generous payout of 100 cents on the dollar plus the maximum interest allowed by the company's reorganization plan. According to the company's liquidators, the settlement was accomplished far ahead of schedule. At one time, Farmland was a \$11.8 billion company with 14,000 employees before weak fertilizer sales led to its bankruptcy and eventual dissolution. (*Meating Place*)

> **Glovebrush Corp** launched the PetsToothBrush, a disposable glove that the company says will make it easier to brush a pet's teeth. The product is a surgical glove with built-in bristles on the thumb and forefinger. (*Pet Product News*)

> **All American Pet Company** ("AAPC") announced it has filed a registration statement with the Securities Exchange Commission ("SEC"). AAPC has developed the first line of commercial dog food specifically formulated for the morning meal. Current product offerings are sold in supermarkets, with plans to sell the products in pet centers, mass merchants and veterinarian practices. (*Business Wire*)

ANIMAL HEALTH NEWS

> **US - EQUINE ABORTION LINKED TO VESIVIRUS** Veterinary researchers at Oregon State University (OSU) announced that they have linked a major abortion epidemic in Central Kentucky mares in 2001 to vesivirus infection. This marks the first time the virus, part of the Caliciviridae viral family, has been suggested to cause this type of problem in horses. The findings were published in the *American Journal of Veterinary Research*. One new study examined 112 horses, both normal and those that had suffered abortions. It found that 40% of the mares with no reported abortion problems tested positive for vesivirus antibodies, but 64% of those from areas with high rates of abortion, or that had aborted their foals, had vesivirus exposure. In a second study involving experimental exposure of pregnant mares to Eastern tent caterpillars where 17 of 29 aborted, the association of vesivirus antibodies with abortion problems appeared to be stronger than the association with Eastern tent caterpillars. (*TheHorse.com*)

> **AVIAN INFLUENZA HUMAN-TO-HUMAN TRANSMISSION** The World Health Organization concluded that an Indonesian who died after catching the A(H5N1) bird flu virus from his 10-year-old son represents the first confirmed case of human-to-human transmission of the disease. The stories note that the WHO investigators also discovered that the virus had mutated slightly when the son had the disease, although not in any way that would allow the virus to pass more readily among people. (*AnimalNet - New York Times*)

> **CANADA - NEW FEED RULES** The Canadian Food Inspection Agency (CFIA) announced that it is banning cattle tissues capable of transmitting BSE from all animal feeds, pet foods and fertilizers. Canada's current feed ban has prohibited the use of SRM in feed for cattle and other ruminant animals since 1997. Extending SRM controls to all animal feeds addresses potential contamination that could occur during feed production, transportation, storage and use. The new outcome-based regulations enter into force on July 12, 2007, with additional time provided for small establishments to achieve full compliance. (*Feedstuffs*)

> **CANADA - LOOSENED US IMPORT RESTRICTIONS** Canada announced that it is opening its border to a broader range of US animals and animal products, which were suspended following the confirmation of BSE in Washington state in 2003. Effective immediately, all classes of US cattle, including those for breeding purposes born after 1999, are eligible for entry based on prescribed certification requirements. Beef from cattle over 30 months of age will also be eligible for importation under certain conditions. (*Meating Place*)

> US - ANTIBIOTIC RESISTANCE Eliminating antibiotic drugs from food animal production may have little positive effect on resistant bacteria that threaten human health, according to the Institute of Food Technologists (IFT). In fact, such actions abroad have resulted in more antibiotic use and more resistant bacteria in some cases according to the international, nonprofit scientific society and its latest Expert Report, Antimicrobial Resistance: Implications for the Food System, released at IFT's annual meeting. (*Feedstuffs*)

> US - CANINE INFLUENZA Canine influenza has now been reported in 25 states, affecting pets and racing dogs in the US. 531 samples have tested positive for canine influenza virus (CIV) out of 3,612 samples submitted to the Animal Health Diagnostic Center at Cornell University as of May 31, 2006. Although specifics were not released, two pharmaceutical companies have reportedly submitted conditional vaccine candidates to the USDA. No other news has been released about approval of the vaccines. (*AAHA NEWSStat*)

> US - PET LAWSUIT A County judge in Oregon has thrown out a 'loss-of-companionship' claim in the death of a dog that was run over in 2004, but the judge did allow other parts of the trial to move forward. The closely-watched ruling comes in the case of a 14-year-old dog that had to be euthanized after a neighbor intentionally ran over it. He was convicted of animal abuse. The dog's owners sued the neighbor for \$1.6 million for loss of companionship. The family is still seeking \$1 million in punitive damages and \$300,000 for pain and suffering and emotional distress in the case. Lawyers said the case could have redefined the way courts view the bond between people and their pets if it had been allowed to proceed with the loss-of-companionship claim included. States have typically limited monetary damages in such cases to an animal's fair market value. (*katu.com*)

BRAKKE CONSULTING VIEWPOINT

We hope that you've enjoyed the comments these past several weeks from the other consultants that are a part of Brakke Consulting. I found it somewhat stimulating and relaxing not to be "on deck" for the weekly comments. Unfortunately, my vacation is over and it's time to tee up some thoughts.

These past few weeks I've been in various parts of the Midwest and Southwest. The drought is getting very serious in many areas, with cattle being moved to market because of a lack of pasture and forage. These early movements of cattle have both a short-term and very long-term impact on the markets. This, combined with the continued avian influenza issue, is creating some negative market economics that could dampen the third and fourth quarter sales numbers for animal health companies.

We also believe that the ruling by a court in Oregon (mentioned in the newsletter) that a pet is property, and not a companion, could have long-term implications for future litigation involving companion animals.

Those of you in the US have a great holiday weekend, and celebrate our country's independence safely. We highly recommend attending your local fireworks presentation rather than producing your own!

Ron Brakke

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