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**Brakke Consulting's  
Animal Health News & Notes for July 22, 2005**  
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**COMPANY EARNINGS RELEASES**

> **Pfizer** reported results for the second quarter of 2005. Animal Health revenues increased 19% in the quarter to \$578 million. Revenues for the first half of the year increased 18% to \$1,073 million. (*company press release*)

> Merck reported results for the second quarter of 2005. **Merial**, the 50:50 joint venture with Sanofi-Aventis, reported sales of \$523 million for the quarter, an increase of 12% compared to the comparable period in the prior year. Sales for the first half of 2005 were \$1,027 million, an increase of 15%. (*company website*)

> Wyeth reported net revenue for its animal health division **Fort Dodge** increased 2% for the 2005 second quarter to \$245 million, and 7% for the 2005 first half due to \$490 million, primarily to higher sales of livestock and poultry products. Increases in net revenue were offset, in part, by lower sales of companion animal products for the 2005 second quarter due primarily to lower sales of ProHeart 6. Excluding the favorable impact of foreign exchange, worldwide Animal Health net revenue decreased 1% for the 2005 second quarter and increased 4% for the 2005 first half. (*company website*)

> Akzo Nobel reported that **Intervet** revenues for the second quarter of 2005 were up 9% to EUR 277 million (\$334 million). Compared to the second quarter of 2004, autonomous growth

was 8%, while currency translation had a positive effect of 1%. Intervet further expanded its strong market positions. The company added that Intervet is growing in virtually all regions and franchises, and are expanding in profitable areas such as biologicals. *(company press release)*

> Eli Lilly reported results for the second quarter of 2005. Worldwide sales of animal health division **Elanco** were \$201 million, an increase of 12% compared with the second quarter of 2004 due to strong volume growth. *(company website)*

> **Schering-Plough** Corporation reported financial results for the 2005 second quarter. Animal Health sales increased 22% to \$227 million, primarily reflecting higher sales of products serving the US cattle market due to better product supply, and a favorable impact from foreign exchange of 4%. *(company press release)*

> **Virbac SA** reported results for the second quarter of 2005. The company reported provisional net sales of EUR 96 million (\$116 million), an increase of 8% compared to the second quarter of 2004. The company recorded a sustained growth of its consolidated sales in all geographical areas thanks to a strong increase of the Companion Animal business and an return to growth of the Food Producing Animal business. Sales for the first half of 2005 were EUR 176 million (\$212 million), an increase of 3% compared to the comparable period in the prior year. *(company website)*

> **ImmuCell** Corporation announced the results of its operations for the three and six month periods ended June 30, 2005. For the three months ended June 30, 2005, product sales increased by 32% to \$848,000, in comparison to the same period in 2004. The Company recognized net income of \$79,000 for the three months ended June 30, 2005, in contrast to a net loss of \$(58,000) during the same period in 2004. *(company press release)*

> **Del Monte** reported results for the fiscal year ended May 1, 2005. Pet Products net sales were \$840 million versus \$789 million a year ago. Sales increased by 6.4%, or by approximately 8.4% when adjusting for the extra week in 2004, when compared to fiscal 2004. The pet food and pet snacks businesses both contributed positively to net sales. *(company website)*

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**COMPANY NEWS RELEASES**

> **Fort Dodge Animal Health** announced the licensure of West Nile-Innovator DNA, a novel vaccine for horses to aid in the prevention of viremia caused by West Nile virus. Fort Dodge's development of this product, in collaboration with the Centers for Disease Control, represents a tremendous milestone in DNA science and technology, as it is believed to be the first DNA vaccine in the world to be approved by a veterinary or human medicine regulatory agency for commercial sale. *(PRNewswire)*

> **Pfizer** Inc. announced it will take over a manufacturing site in Pennsylvania from GlaxoSmithKline while production there is phased out, possibly in three years. GlaxoSmithKline produces a variety of animal health products at the site, including several drugs on contract for

Pfizer. Pfizer now will manufacture its products there itself. A Pfizer spokeswoman said Pfizer intends to transfer all of its animal health production to other Pfizer facilities over the "next several years." (*Philadelphia Inquirer*)

> **Charlesbank Capital Partners**, a private equity firm, reported that it has acquired **Walco International Inc.** from **Bain Capital**. The acquisition was made with Walco management. It was the first deal for Charlesbank's Equity Fund VI, its newest fund, a \$900 million vehicle closed in June. Financial terms were not disclosed. (*Boston Business Journal*)

> The FDA amended the animal drug regulations to reflect approval of an abbreviated new animal drug application (ANADA) filed by **Cross Vetpharm Group Ltd.** The ANADA provides for the oral use of lincomycin and spectinomycin soluble powder to create a solution administered in the drinking water of chickens as an aid in the control of airsacculitis. (*AnimalNet - Federal Register*)

> **Farnam** announced the introduction of Bite Free Granular Larvicide for Mosquito Control. Bite Free Granular Larvicide controls mosquito larvae within 24 hours. The product is packaged in easy to use, pre-measured, water-soluble packets that you toss into any body of water. Each packet treats up to 2500 gallons of water for up to 30 days. (*company press release*)

> **Farnam** Livestock Product Division announced the introduction of New Z No-Snag Tags with Laser Printing. The tags bear the most visible laser mark available, darker than traditional laser-only techniques, providing high definition for sharper and more detailed graphics. The surface of the tag is also treated to seal the mark permanently on the tag. New Z Laser Tags may be custom ordered with a virtually limitless number of marking options including numbers, logos, brands and barcodes (*company press release*)

> **Tyson** announced it has settled a lawsuit with swine producers, agreeing to pay \$42.5 million to 85 contract producers and take a third-quarter charge of \$33 million, or 6 cents per share. The swine producers had charged that the company improperly failed to renew their contracts. (*Meating Place*)

> **DermaPet** announced the introduction of KlearWax, a potent cerumenolytic, degreasing, dewaxing product containing Dioctyl Sodium Sulfosuccinate (DSS) and Urea Peroxide. The product is recommended for in house cleansing to clear away debris enabling better visualization of the otic canal and tympanic membrane. It is DermaPet's fifth otological product. (*company press release*)

> **Pet Ecology Brands, Inc.** announced the national launch of its improved Scientific Professional Cat Litter product to the independent pet stores and veterinarian market place, after completion of its research and development of final updates to its litter formula. The national launch will bring to the forefront the ability of the litter to help indicate Feline Urinary Tract Disease (FLUTD), as well as its substantially lighter weight and easy disposability. (*Business Wire*)

> CANADA **Novartis** announced that Apex-IHN, the first effective vaccine to prevent Infectious Haematopoietic Necrosis (IHN) in farm raised Atlantic Salmon, was cleared for marketing by the Canadian Food Inspection Agency. Apex-IHN, developed by Aqua Health, Ltd., Canada, an affiliate of Novartis Animal Health, is also the first approved vaccine, using the DNA-technology licensed from Vical Inc., to induce an effective immune response in fish. (*company press release*)

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**AVMA 142 Annual Annual Convention  
Minneapolis, MN**

**July 16 - 20, 2005**

The AVMA held its 142nd annual convention in Minneapolis, MN this week in conjunction with the 28th World Veterinary Congress. The AVMA reported over 9,000 attendees, including over 4,000 veterinarians and 1,500 exhibitors. The conference also registered nearly 600 international visitors. The Exhibit hall hosted more than 300 individual exhibits. The convention included information on the role of veterinarians in public health and homeland security. In addition, AVMA held its first-ever Diversity Symposium.

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### **ANIMAL HEALTH NEWS**

> **RUSSIA - AVIAN INFLUENZA** Russia has found its first case of avian influenza in poultry in a village in Siberia's Novosibirsk region. Officials reported that numerous birds have died, and an investigation showed the presence of the AH5-type bird flu virus. More investigation is needed to confirm that avian influenza is the cause of the deaths. (*AnimalNet - Reuters*)

> **JAPAN - US BEEF SAFETY QUESTIONED** Japanese food safety regulators were questioning the safety of US beef after a Ministry of Agriculture study showed nearly half of the 20 BSE cases found in Japan would have passed unnoticed under US testing methods. Japan tests all cows before slaughter while the US only tests those that display signs of the disease. Scientists on a Food Safety Commission panel have called for more details on a second case of confirmed BSE in the US, a move that could delay a decision to resume American beef imports, expected in late August. (*AP*)

> **UK - NEWCASTLE DISEASE** British officials confirmed that the Newcastle disease has been detected in bird flock in Surrey, prompting the government to ban all exports of live birds, hatching eggs, meat and eggs to all countries outside the EU. The banned exports were mainly allocated to countries in the Far East. While there is no immediate danger of exports to EU countries being suspended, officials are closely monitoring the situation. The department had decided to cull all the infected birds as a precautionary measure against the spread of the disease. (*Meating Place*)

> **FRANCE - NEWCASTLE DISEASE** An outbreak of Newcastle disease is highly suspected in a farm in the western part of France. The farm contains approximately 35,000 partridges and 20,000 pheasants. On 19 July 2005, 20 pheasants showed positive serological results for Newcastle disease, associated with mild clinical signs. Virological tests are being carried out. The farm has been quarantined. No birds have left the affected farm since 1 June 2005, with the exception of one shipment to England on 22 June. The affected farm is epidemiologically linked to the farm in Surrey, United Kingdom which was declared infected with Newcastle disease on 15 July 2005. (*AnimalNet - OIE*)

> **US - TB** Minnesota's first cases of bovine tuberculosis since 1971 have resulted in the destruction of an entire herd of 900 cattle. USDA inspectors detected lesions in the carcass of a 5-year-old beef cow at slaughter in March and immediately quarantined the herd while conducting further testing, which turned up 18 additional cases. USDA is now conducting a trace-back to locate animals that left the herd over the past seven years. For now, Minnesota will maintain its "TB-free" status, but if cases are found elsewhere, movement of live cattle across state lines to or from Minnesota could be banned. (*AnimalNet - Meating Place*)

> **VIETNAM - AVIAN INFLUENZA VACCINATION** Vietnam will use over 400 million batches of vaccine to inoculate its chickens and ducks against avian influenza starting in two provinces beginning August 1. Other provinces facing high risk of infection would follow between October 1 and November 10, before the arrival of the winter when the virus seems to thrive best. (*AnimalNet - Reuters*)

> CANADA - CATTLE IMPORTED TO US Canadian cattle have started moving across the border into the US for the first time since a US case of BSE brought trade to a halt more than two years ago. The first shipment took place Monday morning and crossed into New York from Ontario, reportedly destined for a slaughter facility in Pennsylvania. The move comes just days after the Ninth Circuit Court of Appeals overturned an injunction aimed at preventing the border from reopening to Canadian beef. The border is now open to cattle and bison less than 30 months of age, and goats and sheep less than 12 months for immediate slaughter and feeding, as well as a broader range of meat products. *(Meating Place)*

> US - CRAWFORD CONFIRMED AS FDA HEAD Dr. Lester Crawford, who was administrator of USDA's Food Safety and Inspection Service, the US meat industry's chief regulatory agency, in the late 1980s under the administration of the first President Bush, has been confirmed as commissioner of the Food and Drug Administration. The US Senate confirmed Dr. Crawford, who had served FDA as acting commissioner, with broad bipartisan support. Crawford, who also has a doctorate in pharmacology, is the first veterinarian to be named as head of the nation's drug regulatory agency. *(Wattnet Meatnews, Feedstuffs)*

> US - CENTRALIZED ANIMAL HEALTH AGENCY CALLED FOR The National Research Council, an arm of the National Academy of Sciences, has released a study that recommends the creation of a high-level centralized animal health agency in the US to confront a growing number of animal-borne illnesses, such as BSE and avian influenza. The agency would encourage communication and cooperation among the dozens of local, state and federal authorities and private companies that are now responsible for animal health. The study also recommended that the departments of Agriculture and Homeland Security support rapid development of new technology to detect, diagnose and prevent the spread of animal diseases. According to the council's report, the US currently lacks any means to analyze risks and plan for outbreaks. *(Meating Place)*

> US - EARLY BSE DETECTION TEST **Adlyfe** Inc., a Maryland biotechnology company, reported it has developed a new early-detection test for BSE. According to the company, the test can detect the presence of BSE before the disorder has had a chance to take its hold on the animal's brain. The test uses synthetic peptides to detect the build up of damaging proteins in blood before they accumulate in the brain. Adlyfe currently has 11 patents pending related to the detection technology. *(Meat & Poultry)*

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## **BRAKKE CONSULTING VIEWPOINT**

The US is currently experiencing a heat wave across the country, with record temperatures being reported. It appears to us that some of the heat is a result of the high activity level and financial success of the leading companies serving the animal health industry. Congratulations to all of you on a great first six months. Even the high cost of petroleum does not seem to be impacting product sales to producers and pet owners. It's hard to imagine what could happen to dampen the sales and profit growth for the balance of the year.

Have a great weekend and keep cool!

*Ron Brakke*

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