
Brakke Consulting's
Animal Health News & Notes for August 6, 2004
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IN THE NEWS:

earnings news:

Alpharma
Central Garden
Embrex
Nutreco

other news:

Altana
Boehringer Ingelheim Vetmedica
City-Zoo
Elanco
Feedad
Fressnapf
Kemin
Merial
Perdue
Ridley
Sankyo
Sweetlix
United Industries Corp
United Pet Group

COMPANY EARNINGS RELEASES

> **Alpharma** announced results for the Second Quarter 2004. Animal Health ("AHD") revenues increased 3.9% to \$71.5 million compared to \$68.8 million in 2003 due to strong poultry sales partially offset by softer demand in the livestock segment. Excluding the impact of foreign currency, revenues grew 2.5%. Operating margins, excluding asset impairments, increased to 7.4% in 2004 versus 4.4% in 2003 reflecting cost reductions, productivity initiatives and product mix. On July 22, 2004, the company completed the sale of the aquatic operations of its Animal Health business to an employee group. (*company press release*)

> **Nutreco** reported that net return increased by 184% to 16.2 million euros (\$20 million) for the first half of 2004. This compares to 5.7 million euros (\$7 million) for the same period in 2003. Net sales for the first half of 2004 came to 1,844 million euros (\$2,228 million), up 6.5% compared with the same period last year. (*Wattnet Meatnews*)

> **Embrex, Inc.** announced financial results for the second quarter ended June 30, 2004. For the quarter, consolidated revenues were \$11.7 million, a 3% decrease compared to consolidated revenues of \$12.1 million for the second quarter of 2003. Consolidated net income for the second quarter of 2004 decreased to \$0.8 million, \$3.1 million lower than 2003 net income of \$3.9 million. This decrease in net income in 2004 is primarily attributable to the \$5.0 million legal settlement net of \$1.2 million of expenses and \$1.7 million of estimated taxes with Fort Dodge that occurred during the second quarter of 2003. (*company website*)

> **Central Garden & Pet Company** announced its financial results for the fiscal third quarter of 2004, ended June 26, 2004. Net sales for the third quarter of fiscal 2004 were \$374.4 million, an

8.5% increase from \$345.1 million in the comparable fiscal 2003 period. The Company recorded net income for the quarter of \$17.9 million, a 4.1% increase when compared to net income of \$17.2 million in the comparable year ago period. (*company website*)

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 NEWS RELEASES

> **Ridley Inc.** announced the acquisition of the assets of the livestock feed supplement business **Sweetlix LLC** for \$16.7 million. The acquisition of Sweetlix, a privately held company, includes three manufacturing facilities. Sweetlix will operate as a separate unit of Ridley under the company's newly formed division known as Ridley Nutrition Solutions. (*Feedstuffs*)

> The FDA amended the animal drug regulations to reflect approval of a new animal drug application (NADA) filed by **Boehringer Ingelheim Vetmedica, Inc.** The NADA provides for the veterinary prescription use of romifidine hydrochloride injectable solution in horses as a sedative and analgesic, and as a preanesthetic agent. (*AnimalNet - Federal Register*)

> The FDA amended the animal drug regulations to reflect approval of an abbreviated new animal drug application (ANADA) filed by **Altana Inc.** The ANADA provides for veterinary prescription use of gentamycin sulfate ophthalmic ointment for topical treatment of conjunctivitis caused by susceptible bacteria. (*AnimalNet - Federal Register*)

> **Perdue Farms Inc.** announced the acquisition of Pennsylvania Agricultural Commodities Marketing Association Inc. (PACMA), a privately owned bulk grain and feed ingredients merchandiser. PACMA will operate under a subsidiary of Perdue to be named Perdue Agricultural Commodities Marketing Association. The company will remain headquartered in Pennsylvania, and Perdue has retained its 23 employees. Financial terms of the deal were not disclosed. (*Meating Place*)

> **United Industries Corporation**, which goes to market as Spectrum Brands, announced that it has closed its previously announced acquisition of **United Pet Group, Inc.** ("UPG") for \$360 million. UPG will operate as a separate division of United Industries and will continue to be led by CEO John Heil. The combined companies will have annual sales of approximately \$1 billion. (*PRNewswire*)

> **FRANCE** French marketing authorities repealed a ban on the sale and use of **Elanco's Micotil** on July 9, 2004, after reviewing a report by the French pharmacovigilance commission. The committee had suspended the marketing authorization for the product at it was linked to the death

of a cattleman in the US in April. French authorities have now said they are happy for Micotil to be used, as long as veterinarians and cattle handlers are made more aware of the potential dangers. The conditions of the ban being lifted are in line with the position taken by Elanco. *(Animal Pharm)*

> JAPAN **Sankyo Lifetech** announced the launch of Aceworker Tablets (temocapril as an ACE inhibitor) for the improvement of symptoms caused by chronic heart failure due to mitral regurgitation in dogs. The products are available in three strengths of oral tablets *(company communication)*

> JAPAN **Merial Japan** announced that JMAFF has approved an additional claim for Ketofen Tablets (ketoprofen) for the alleviation of chronic pain associated with osteoarthritis in dogs. The product's current claim is for the alleviation of inflammation and pain associated with musculoskeletal disorders in dogs and cats, with a recommended dosage of 1.0 mg/kg orally once a day and may be repeated for up to five days. The recommended dosage for the new osteoarthritis claim is 0.25 mg/kg orally once a day, and can be prescribed for up to 14 days. *(company communication)*

> SOUTH AFRICA **Kemin Europa** announced the acquisition of South African feed company **Feedad**. Feedad will continue to sell its own products but plans to introduce locally manufactured Kemin products. Financial terms were not disclosed. *(Animal Pharm)*

> EU **Fressnapf Tiernahrungs GmbH** announced the acquisition of a majority shareholding in the French pet retailer **City-Zoo**. City-Zoo's turnover in fiscal 2003 was EUR 14.2 million, from ten eponymous shops. The new Fressnapf subsidiary's master franchiser and CEO will be its former owner Mathieu Bonnier, a veterinary surgeon who founded the specialist animal business in 1993. The shops will gradually be switched over to the Fressnapf concept and rebranded as Maxi Zoos. *(PETS International)*

ANIMAL HEALTH NEWS

> SOUTH AFRICA - AVIAN INFLUENZA The Department of Agriculture in South Africa has reported an outbreak of avian influenza that has affected ostriches on two farms. Samples have been taken to determine the exact nature of the virus. Precautionary steps, including quarantine measures and extended surveillance have been put into place to limit and control the spread of the disease and Ministry said it will be meeting with the affected farmers in the Eastern Cape. As soon as the exact nature of the virus is known, necessary steps will be taken to control the disease. *(Wattnet Meatnews)*

> US - FDA USER FEES The FDA announced the rates and payment procedures for fiscal year 2005 animal drug user fees. For FY 2005, the animal drug user fee rates are: \$119,300 for an animal drug application; \$59,650 for a supplemental animal drug application for which safety or effectiveness data is required; \$3,085 for an annual product fee; \$42,600 for an annual establishment fee; and \$32,150 for an annual sponsor fee. The application fee rates are effective for applications submitted on or after October 1, 2004 and will remain in effect through September 30, 2005. *(AnimalNet - Federal Register)*

> US - NEW GOVERNMENT DEPARTMENT The USDA UnderSecretary for Food Safety announced the establishment of the Food Safety Institute of the Americas, a cooperative educational and research organization designed to promote food safety and identify and develop educational programs throughout the Americas. The institute will become a forum for scientific discussion and educational opportunities for government and industry in all countries to improve the safety of imported and exported meat, poultry and egg products. The Food Safety Institute of

the Americas will be located in Miami, Florida, which is recognized as the gateway to the Americas. (*Wattnet Meatnews*)

> US - BSE SCREENING The USDA announced it is setting more stringent standards for when it will announce that an initial screening test for BSE has yielded a suspicious result. The department is now requiring additional preliminary test results before the public is informed. The change comes after two cases in which the department announced that screening tests could not rule out that animals had BSE. More exacting tests later showed the cattle were free of the disease. The new system uses the analysis of three samples of tissue. If an initial test is inconclusive, the results of two more samples would then be examined. If either additional sample yielded inconclusive results, the findings would be announced publicly and definitive tests would be conducted at the department's National Veterinary Services Laboratories in Ames, Iowa. (*AP*)

> US - E COLI RESEARCH Agricultural Research Service scientists and colleagues are working to develop and test an oral vaccine that would eliminate *E. coli* O157:H7 in live cattle. The key ingredient of the oral vaccine, which was developed at the Bethesda University's Department of Microbiology and Immunology, is intimin, a protein on the outer membrane of the O157:H7 strain. The bacteria need intimin to attach themselves to intestinal tissue. Research indicates that pigs injected with purified bacterial intimin developed antibodies against it. Researchers are now working to prove that the vaccine is effective in cattle and to develop a plant, like corn, containing the vaccine that cattle will eat. (*Drovers Alert*)

> US - BSE RESEARCH Researchers at the University of California at San Francisco reported that they have created synthetic version of a rogue protein that causes a brain destroying infection in mice. The discovery may give researchers a new, powerful tool in studying other prion caused diseases such as BSE. A synthetic prion could help researchers determine how BSE is spread and how to prevent it from infecting cattle. The University of California a San Francisco researchers published their findings in Science magazine. (*Wattnet Meatnews*)

> US - MANURE POWER GENERATION Vermont's largest power company has won state approval for a plan to have dairy farmers generate energy from decomposing cow manure to sell back to the utility. Central Vermont Public Service Corp. now hopes to sign up farmers willing to set up a generator on their property and go into the power business on a small scale. The farmers will be paid market price plus another 4 cents per kilowatt-hour. CVPS won't make any extra money from the project, according to a company spokesperson. (*AP*)

AGRIBUSINESS NEWS

> The Dutch banking cooperative **Rabobank** announced that it will acquire **Farm Credit Services of America**, one of the largest agriculture lenders in Iowa, Nebraska, South Dakota and Wyoming, for \$600 million. Rabobank announced it will buy all shares from the nearly 51,000 FCSA stockholders under the agreement, which executives expect to be approved by next year. There will be no staff or leadership changes because of the acquisition. (*AP*)

> WTO EXPORT SUBSIDY RULES World Trade Organization members approved a plan to end export subsidies on farm products and cut import duties around the world. The deal was approved by a consensus of the 147 country body, opening the way for full negotiations to start in September. The EU agreed to eliminate its export subsidies. The US agreed to cut its export credits and some of its cotton subsidies. The US also will make a 20% reduction in some of its \$19 billion corn, wheat, rice and soybeans subsidies the first year that the rules go into effect. (*Pork Alert*)

BRAKKE CONSULTING VIEWPOINT

How would you rate your company, whether manufacturer, distributor, or veterinary practice on the innovation scale? Does your firm provide innovative solutions to disease, service and production problems for your customers? Or, is your firm a copier or acquirer of innovation?

As we've watched many firms grow over the years, we've found that innovation has declined for various reasons in many companies. Most of us believe that our company is the innovator and the competitor is the copier. Is that really the case or is that what we like to tell ourselves?

In the past few weeks, Brakke Consulting has been exposed to several research institutions that have created successful models for innovation. In the coming weeks, we plan to integrate the key elements of these successful programs into the services we provide to our clients. Innovation is clearly the future.

Have a great weekend.

Ron Brakke

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