
**Brakke Consulting's
Animal Health News & Notes for August 10, 2007**
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**LAST WEEK TO RECEIVE THE EARLY-ORDER DISCOUNT FOR THE PET OWNER
CHANNEL USE STUDY!**

see below for details

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**2007 Animal Health Industry Overview and Mid-Year Update at the Central Veterinary
Conference
September 17, 2007**

Brakke Consulting will present its Mid-Year Update Overview at the Central Veterinary Conference in Kansas City on Monday, September 17.

Registration fees are \$350 for the first person from a company to register and \$325 for each additional person from the same company.

To register, go to the Brakke homepage on www.brakkeconsulting.com and click on the link at the bottom for details. You can also call Jane Morgan in the Dallas office to register at (972)243-4033.

COMPANY EARNINGS RELEASES

> **Bayer** reported financial results for the second quarter of 2007. Second-quarter sales of the Animal Health Division rose to EUR 266 million (\$358 million), an increase of 5% compared to the second quarter of 2006. Contributing particularly to the increase was the Advantage product line, which saw business expand by 20%. (*company website*)

> **Nutreco** reported strong growth in the first six months of 2007. Nutreco's animal health segment, consisting of its compound feed and premix and specialty feed businesses, posted sales of EUR 772 million (\$1.04 billion), up 25% on the first half of 2006. Operating income for the segment was up 49% at EUR 30 million (\$40 million). (*Animal Pharm*)

> **Spectrum Brands**, Inc. announced results for the third quarter ended July 1, 2007. Global Pet Supplies net sales were \$135 million as compared with \$132 million in the prior year. Companion animal product sales grew 9%, while global aquatics sales were flat. (*company website*)

> **Central Garden & Pet** Company announced results for its third quarter ended June 30, 2007. Net sales for the Pet Products segment increased 5% to \$240 million versus \$228 million in the comparable fiscal 2006 period. Branded product sales increased 8%. Sales of other manufacturers' products declined 7%. (*Business Wire*)

ANNOUNCING NEW PET OWNER CHANNEL USE STUDY

Several fundamental changes are underway that potentially affect the way pet owners purchase products. The number of pet products is proliferating. Internet usage is growing as a source of information and sales. Traditional OTC marketers are launching veterinary divisions, and vice versa. Vet-only products are "leaking" in larger and larger quantities into OTC. Major products are going off patent, and may soon face OTC branded competition.

The Pet Owner Channel Use Study from Brakke Consulting and Market Directions is a survey of more than 1,000 dog and cat owners that examines purchasing frequency by brand and by type of outlet, channel switching, and the importance of convenience, price and veterinary recommendation on purchasing decision.

Products included:

- Wellness and therapeutic pet foods
- Flea and tick control
- Heartworm prevention
- Dental treats and products
- Pain management and other chronic-use medications
- Joint health supplements
- Pet health insurance
- Boarding and day-care services

The study will be fielded in September 2007. Companies that order by **August 17, 2007** and pay in advance receive a \$1,000 early-order discount. Upon publication, the price of the study is \$12,500.

For more information about the Pet Owner Channel Use Study, contact John Volk, Brakke Consulting at jvolk@brakkeconsulting.com or (773) 327-4941.

COMPANY NEWS RELEASES

> Applied Digital Solutions, Inc. and **Digital Angel** Corporation announced that they have entered into a merger agreement. The combination will be effected by Applied Digital acquiring the remaining 45% minority interest it does not currently own in Digital Angel. The companies intend to announce a new CEO at the completion of the transaction. (*company website*)

> **Wedgewood Pharmacy** announced the launch of Gourmeds, a compounding service for companion animal medicines. Gourmeds provides the compounded preparations that veterinarians prescribe most frequently in the form of chewable tablets flavored naturally by chicken and fish meals. Gourmeds is currently available for four commonly prescribed medications (cisapride, metronidazole, diethylstilbestrol and methimazole). Wedgewood plans to expand the number of preparations that can be compounded into Gourmeds later this year. (*Animal Pharm*)

> **BrightHeart Veterinary Centers** announced that it has completed an \$18 million financing transaction with Caltius Mezzanine, a leading provider of debt financing for middle market growth companies. The investment consists of a \$10 million initial funding and a commitment for an additional \$8 million to be drawn upon in the future. Proceeds from the financing will be used primarily to fund ongoing acquisitions of specialty/emergency veterinary hospitals for the BrightHeart net. (*company press release*)

> The FDA is warning consumers about more than 80 types of stew, chili, hash and petfood produced out of **Castleberry's** Georgia-based plant. Castleberry has temporarily closed the plant where the foods were produced. Castleberry's says using the products could result in botulism poisoning; the country's first major botulism threat in over 30 years. The canned petfood products affected by the recall are Natural Balance Eatables for Dogs. (*Pet Food Industry*)

ANIMAL HEALTH NEWS

> UK - FMD Great Britain has imposed a nationwide ban on the movement of livestock after officials confirmed an outbreak of highly infectious foot and mouth disease (FMD) on a farm near London. There are increased levels of biosecurity on farms in the protection and surveillance zones, as well as controls on transport of manure and treatment of animal products to ensure destruction of the FMD virus. Two other cases have subsequently been identified on farms near the original herd. (*AnimalNet - ChannelNewsAsia, Meating Place, Scotsman.com*)

> UK - FMD OUTBREAK SOURCE A vaccine facility at Pirbright, UK, has been implicated as the source of the recent FMD outbreak in the UK. Pirbright houses two separate facilities: the Institute for Animal Health (IAH) and **Merial's** FMD vaccine production center. Researchers with the IAH identified the virus strain as "very close" to 01/BFS67, a strain originally isolated in 1967, which was not known to be in circulation but was housed at both facilities. Merial has voluntarily suspended viral production at its foot and mouth disease (FMD) vaccine production center. The company has expressed complete confidence in its biosecurity, and is working with authorities to contain, control and eradicate the outbreak. (*Feedstuffs, The Scientist*)

> US - BEEF SAFETY RESEARCH Researchers at the University of Maine led a study that found cranberries can help reduce the growth of bacteria such as *Salmonella* and *E. coli* in beef patties without affecting how burgers taste. Researchers added cranberry concentrate to samples of raw ground beef tainted with several types of bacteria that frequently cause food-related illness. After observing the ground beef over several days, scientists discovered that the cranberry concentrate significantly reduced the growth of *Salmonella*, *E. coli* and other pathogenic bacteria in the beef. The results were reproduced results with a strain of pathogenic *E. coli*. (*Meating Place*)

> US - rBST-FREE MILK The Kroger Co. announced last week that all of the milk it processes and sells will be certified free of recombinant bovine somatotropin by February 2008. Earlier this year, Kroger transitioned the milk it sells in the western half of the US to a certified rBST-free supply. (*Food Systems Insider*)

KC Animal Health Corridor Homecoming September 17, 2007

The 2nd Annual KC Animal Health Corridor Homecoming event is scheduled for September 17, 2007 in conjunction with CVC Central in Kansas City. Executives from the animal health industry are invited to attend this exclusive evening event that will begin with a cocktail reception, dinner

and will be capped off by a special keynote presentation from Mark Forbes, Head Animal Trainer for the movie, "Evan Almighty." For more information for the event go to <http://www.kcanimalhealth.com/homecoming/> or RSVP to Lynn Parman at parman@thinkkc.com

BRAKKE CONSULTING VIEWPOINT

The dog days of summer are here and most of the country is suffering from the heat. During the past few days I've moved from the Texas Gulf Coast to the corn fields of South Dakota. It was hot and humid at both locations. So, I'm looking forward to a trip to the Northwestern US in a few days.

As it relates to this week's news, it appears that the UK has not resolved all of the issues related to Foot and Mouth Disease. While this can be catastrophic for the UK beef industry it is a reminder that disease issues exist in the animal industry that need innovative solutions. We continue to encourage our clients to expand their R&D budgets to encourage innovation. We believe many of our clients will have improved results in three to five years if they will expand their product mix. Are you in the pharmaceutical business or the animal health business? We believe those companies that serve the animal health industry with a broad range of products and services will be the leaders in the next few years.

Have you booked your room and airline reservation yet so that you can attend the 2nd Annual KC Animal Health Corridor Homecoming event scheduled for September 17, 2007 in conjunction with CVC Central in Kansas City? It will be a great and unique program. Don't miss it!!

Have a great weekend and stay cool!!

Ron Brakke

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