
**Brakke Consulting's
Animal Health News & Notes for August 12, 2005**
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COMPANY EARNINGS RELEASES

> **Bayer** announced results for the second quarter of 2005. The Animal Health group reported revenues of EUR 229 million (\$276 million), an increase of 1.8% compared to the first quarter of 2004. A decline in Europe was more than offset by strong growth in other regions and the market launch of Advocate, a combination antiparasitic for dogs. Sales for the first half of 2005 were EUR 428 million (\$516 million), an increase of 6.2% compared to the comparable period in the prior year. (*company website*)

> **MWI Veterinary Supply, Inc.** announced financial results for its third fiscal quarter and nine months ended on June 30, 2005. Total revenues grew 29.9% to \$138 million for the three months ended June 30, 2005. Total revenues for the nine months ended June 30, 2005 grew 25.1% to \$363 million. Net income rose 96.2% to \$1.4 million for the three months ended June 30, 2005. Net income increased 74.2% to \$3.7 million for the nine months ended June 30, 2005. (*PRNewswire*)

> **Digital Angel** Corporation announced results for the second quarter of 2005. Revenue for the Company's Animal Applications segment increased 36.4% to \$8.3 million in this year's second quarter compared to the prior year period. The increases were principally due to increased sales to fish and wildlife customers, increases in microchip and visual product sales to livestock customers and the inclusion of revenues from Denmark-based DSD Holdings A/S, which was acquired in February 2005. DSD Holdings contributed revenues of \$1.5 million for the second quarter. (*company website*)

> **eMerge Interactive, Inc.** announced results for the three months ending June 30, 2005. Revenues for the three months were \$335,000, compared to \$212,000 for the prior-year period, a

year-over-year growth of 58%. Net loss for the quarter was (\$2.4 million) compared to (\$2.8 million) in the prior-year comparable period. (*company press release*)

> **Premium Standard Farms** announced improved financial results for the first quarter of fiscal 2006. Net income for the quarter was \$15.4 million compared to net income of \$9.4 million for the year-earlier quarter. Net sales for the quarter ended June 25, 2005, were \$245.3 million, an increase of 15.7% over the first quarter of PSF's fiscal 2005. (*Wattnet meatnews*)

> **Gold Kist** reported an 18% earnings drop for the third fiscal quarter of 2005, which ended July 2. The company said third-quarter net income was \$44.4 million compared with \$54.1 million in the same quarter last year. Third-quarter sales were \$598.8 million, compared with \$631.5 million for the year-earlier period. (*Meating Place*)

Brakke Consulting, Inc.
Do You Know Where Your Company Is Going?

Brakke Consulting is an excellent resource in the strategic planning process. Brakke Consulting's past assistance in strategic planning has included:

- reviewing the revenue estimates and success probability of the product pipeline,
- reviewing the timing of various new product introductions versus probable timing of competitive introductions, and estimating the impact of various scenarios
- benchmarking various functions against company competitors in the larger markets, which might include sales force size, technical services, and/or R&D spend vs. sales

Brakke Consulting can provide insights and professional assistance that improves the likelihood of success. Please contact us if you would like the benefit of professional assistance in any of these areas. Contact information for all offices are available on our website at www.brakkeconsulting.com.

COMPANY NEWS RELEASES

> **Intervet** announced a conditional agreement to acquire New Zealand animal health company **AgVax Developments** Ltd for an undisclosed sum. AgVax concentrates on the identification, development and commercialization of vaccines to increase the productivity of the agricultural sector. The company recorded 2004 turnover of approximately EUR 11 million (\$13 million). Completion of the agreement is subject to receipt of shareholder approval. AgVax, currently a subsidiary of AgResearch Limited, New Zealand's largest government-owned research institute, has a product portfolio which includes unique vaccines for sheep and deer. (*Forbes*)

> **ABAXIS, Inc.** announced the release of the Avian/Reptilian Profile Plus diagnostic rotor for use with the VetScan blood chemistry analyzer. This new VetScan diagnostic test panel adds bile acids, the most effective test for liver function, to the original Avian/Reptilian test panel. Now, from a 100 microliter blood sample, bile acids and 11 other analytes can all be tested on this improved panel. (*company press release*)

> A federal judge ordered **Maine Biological Laboratory** to pay a \$500,000 fine for illegally smuggling a chicken virus into the US so it could create a vaccine. The Judge accepted the prosecutors' recommendation that the lab could afford to pay the fine, which includes the more than \$319,000 in profits the firm made on the illegal vaccine. The judge gave the lab five years to pay the fine and placed it on probation during that time. Last month, former company executives were sentenced to prison terms for their part in the smuggling scheme and their attempts to hide

it from federal regulators. The company pleaded guilty last month in US District Court in Bangor to similar charges. (*AnimalNet - Bangor Daily News*)

> **Seaboard Farms** announced it has changed its name to Seaboard Foods Inc. to emphasize its status as a farm-to-fork pork producer. The company is the third largest pork producer in the US. (*Meating Place*)

> **Tyson Foods** announced it will be added to the S&P 500 upon completion of the Unocal acquisition by Chevron. The S&P 500 is an index of 500 stocks chosen by Standard & Poor's for their market size, liquidity and industry group representation. (*Meating Place*)

> **Monsanto Co.** announced plans to patent pig-breeding techniques and lay claim to the animals born as a result. The patent applications, filed with the World Intellectual Property Organization, are broad in scope, and are expected to take several years and numerous rewrites before approval. The practices Monsanto wants to patent basically involve identifying genes that result in desirable traits in swine, breeding animals to achieve those traits and using a specialized device to inseminate sows deeply in a way that uses less sperm than is typically required. (*AnimalNet - Reuters*)

ANIMAL HEALTH NEWS

> **CHINA - STREP SUIS CONFIRMED** World Organization for Animal Health (OIE) announced that China has formally notified it of the outbreak of *Streptococcus suis* among pigs that has killed 38 people and sickened over 200. The bacterial disease broke out among pigs in eight backyard farms in Sichuan province in June and was officially confirmed by laboratory diagnosis on July 25. A total of 640 pigs have fallen sick with the disease. Controls have been put in place to quarantine animals, screen them for the disease and restrict their movements within the country, and use of vaccination may be considered. (*Channel News Asia*)

> **MONGOLIA - AVIAN INFLUENZA** The FAO reported that nearly 80 migratory birds have died from avian influenza in Mongolia, the first time the disease has been reported there. Dozens of dead swans, geese and other birds were found on Aug. 2 around a lake in Khuvsgul province, near the border with Siberia. Five days later, authorities confirmed the birds had died of avian influenza, though the strain was unknown. (*AnimalNet - Reuters*)

> **CHINA - AVIAN INFLUENZA** Tibet has reported its first cases of avian influenza in poultry. It has been reported that it was likely the disease was highly pathogenic so probably represents H5N1 infection, although the actual report from Tibet identified the infection only as H5. The affected farm, near Tibetan capital Lhasa, reported 133 dead chickens. More than 2,600 more birds in the area have been culled as a containment effort, plus a vaccination effort has begun. Two other areas of China, the Xinjiang and Qinghai provinces, had previously reported avian flu, the latter resulting in the killing of over 6,000 migratory birds. (*CIDRAP*)

> **US - BSE TESTING** With over 425,000 high-risk cattle tested so far in its 18-month surveillance program to measure levels of infection by BSE in the national herd, USDA will soon test 20,000 older but non-symptomatic cattle on a statistically valid national basis, as it promised to do at the beginning of the program. (*Meating Place*)

> **US - NEW FEED RULES CONSIDERED** The FDA announced it will propose new regulations designed to provide additional protection in the US livestock feed supply against BSE. The proposed new rules will address lingering questions about feed compliance. Inspections of 4,000 feed and rendering facilities produced 10 that required FDA action to address deficiencies. (*Wattnet Meatnews*)

> CHINA - FMD RESEARCH The YaSheng Group, a Chinese industrial company, announced that it had mastered a gene cloning process that allows the creation of fortified cells that combat foot and mouth disease. Scientists at the company have also developed a simple and cost-effective technique to test live and dead animals for the disease. The company reportedly plans to use the technology to develop a vaccine for Foot and Mouth Disease (FMD). The company obtained a patent for the process on June 1, 2005, from the Chinese Intellectual Property Commission, while application for an international patent was also filed and is pending.
(AnimalNet - Biotech East)

BRAKKE CONSULTING VIEWPOINT

Good news keeps being reported by both manufacturers and distributors in the animal health industry. That is great and we hope we're not in for some surprise setbacks in the final two quarters of the year.

We have noted some caution from a couple of agricultural economists who feel that there could be a drop in pork prices the 4th quarter. The other animal protein markets look reasonably strong, with a dark cloud here and there. Probably of most concern are some of the disease outbreaks that are occurring in various parts of the world.

The companion animal market continues to break all sales records at all levels in various product categories and there seems to be only positive news for the near future. In preparation of your 2006 budgets, we're not sure it would be prudent to project sales increases at the level of the last two years. Whether management likes to admit it or not, there are some limits to how long the current market growth will continue without some corrections.

We do appreciate it when you include consulting services in your current and future budgets. We appreciate your business.

Have a great weekend!!

Ron Brakke

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