
**Brakke Consulting's
Animal Health News & Notes for August 13, 2004**
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COMPANY EARNINGS RELEASES

> **Doane Pet Care** Company reported results for its second quarter ended July 3, 2004. The Company reported a net loss of (\$17.7) million for its 2004 second quarter compared to a net loss of (\$3.4) million for the 2003 second quarter. The Company's net sales increased 10.2% to \$258 million from \$235 million in the second quarter of fiscal 2003. The favorable impact of the Company's 2004 domestic price increases, as well as solid European volume growth, was partially offset by lower domestic sales volume. *(PRNewswire)*

> **Cargill** reported earnings of \$195 million for the three months ended May 31, compared to \$141 million for the same period a year ago. Net earnings for fiscal year 2004 were \$1.33 billion, up from \$1.29 billion in 2003. Revenues for the full year rose 16% to \$62.9 billion. *(AP)*

> PSF Group Holdings, the parent company of **Premium Standard Farms**, reported net income of \$9.4 million for the first quarter ended June 26, an improvement over the net loss of (\$1.7) million for the same period last year. Net sales for the quarter totaled \$212 million, up 24% from first quarter 2003. *(Meating Place)*

BRAKKE CONSULTING, INC.
Pet Dental Market Study New This Fall

You have an opportunity to participate in a comprehensive study of the companion animal dental market, one of the true growth opportunities in veterinary medicine.

Brakke Consulting, in cooperation with Market Directions, Inc., is in the final stages of planning a substantial qualitative and quantitative survey among both veterinarians and pet owners.

The study examines, among other topics, :

- Prevalence of periodontal disease in dogs and cats
- Economic importance to veterinarians
- Pet owner expenditures on dental products
- Products currently recommended by veterinarians
- Products, including OTC, most commonly used by pet owner
- Levels of performance and satisfaction
- Revenue potential for current and future products
- Overall market growth potential

The study investigates the markets for foods, treats, chews, toys, rinses, gels, pastes, sprays, therapeutic products and veterinary equipment. Research is scheduled for Fall 2004 with a full report by January 2005. The study is available for \$9,500, with a 10% discount for companies that order by Sept. 1, 2004 and pay 50%. The first 5 companies to order have an opportunity to include up to three proprietary questions in the quantitative questionnaires.

For more information, or to subscribe to the Brakke Companion Animal Dental Market Study, email John Volk at jvolk@brakkeconsulting.com

COMPANY NEWS RELEASES

> **Farnam** announced that EquiCare has added two products to its Vetrolin family of products: Vetrolin Green Spot Out and Vetrolin Detangler. The new products will join Vetrolin Liniment, Bath and Shine as the official grooming and conditioning products of the American Quarter Horse Association (AQHA). Vetrolin Green Spot Out is a spray that removes urine and manure spots. It also helps remove wet and dry sweat stains. Vetrolin Detangler incorporates specially formulated silicones to quickly remove mane and tail tangles. (*company press release*)

> **Novartis** announced the introduction of the ImmPact program for beef producers. ImmPact provides vaccination recommendations, along with management practices to be employed prior to when animals become increasingly susceptible to disease. The free program is divided into four ImmPact points, including: pre-weaning/weaning; pregnancy check; pre-calving/calving; and pre-breeding/turnout. Programs covering the other ImmPact points will be introduced in coming months. (*company press release*)

> Veterinary Pet Services, Inc., parent company of **Veterinary Pet Insurance**, reported it has hired Deloitte & Touche to analyze aspects of the company's operations and to conduct a forensic study on its security procedures and asset protection. The company is also reviewing its financial statements for 2002 and the first two quarters of 2003. The company has placed founder and CEO Jack Stephens, DVM, on administrative leave while the study is conducted. James Carney of Scottsdale Insurance Co., which holds a majority interest in VPI, will serve as acting CEO during the audit. (*Veterinary Practice News*)

> Beginning this year, the American Veterinary Medical Association (AVMA) and **Fort Dodge Animal Health** are teaming up to promote pet wellness during the month of October. National Pet Wellness Month is an educational initiative designed to raise awareness about the importance of twice-a-year wellness exams for cats and dogs. National Pet Wellness Month will be a multi-year, cooperative endeavor for Fort Dodge and the AVMA and is expected to expand over time. (*PRNewswire*)

> The recently formed Coalition for Reuniting Pets and Families is asking that chip and scanner manufacturers and marketers permit the use of a scanner that can read all microchips, and that such a scanner be made readily available to shelters, animal control officers and veterinarians throughout the country. The CRPF's supporters include the Humane Society of the US; ASPCA; the American Humane Association; the American Animal Hospital Association; the American Veterinary Medical Association; the American Society of Veterinary Medical Association Executives; the AKC Companion Animal Recovery; the Society of Animal Welfare Administrators; and many other major animal shelters and humane societies across the country. The groups are calling for the distribution of scanners — capable of reading all chips and in sufficient number to equip all vehicles and sites — to animal shelters, animal control officers and veterinarians nationwide. **The Iams Company** has proposed to donate 30,000 scanners that can read all chips, to be distributed to shelters, animal control officers and veterinarians throughout the US. The Iams offer, valued at up to \$5 million, is dependent on all current companion animal microchip manufacturers and distributors agreeing to embrace the mass scanner distribution. (*company press release*)

> **Embrex**, Inc. announced it has filed a lawsuit against **AviTech**, LLC, claiming that an *in ovo* injection device designed by AviTech to compete with Embrex's patented *in ovo* injection system infringes Embrex's US Patent No. 5,136,979 ('979). Embrex's Patent No. '979 relates to the tooling apparatus associated with the modular injection system for avian embryos that is particularly suitable for accurate and precise injection of eggs of varying sizes that may be presented to the apparatus in somewhat different orientations. (*Business Wire*)

> **The Meow Mix Company** announced the upcoming opening of the new 3,500 square-foot Meow Mix Cafe, located in the heart of Midtown Manhattan. The Meow Mix Cafe will offer fully-interactive games for both cats and owners, themed to the featured entrees. The menu at the Meow Mix Cafe will feature seven varieties of new Meow Mix Wet Food Pouches. For each Meow Mix flavor, owners will be able to enjoy a comparable dish. All proceeds from the grand opening will be donated to the American Society for the Prevention of Cruelty to Animals (ASPCA). (*PRNewswire*)

> **Banfield**, The Pet Hospital will host a grand opening celebration for the new temporary on-campus Banfield hospital at Western University School of Veterinary Medicine. Construction for Banfield's permanent 6,000 square foot on-campus hospital will be completed for the Fall 2006 school year. This new on-campus teaching hospital will be used in the curriculum for Western University School of Veterinary Medicine, and is being completely built with funds donated by Banfield. Banfield also will build or remodel at least four hospitals within a 30-minute drive of Western's campus to serve as sites for clinical rotations for third and fourth year students. (*company press release*)

> **PetCARE Television Network**, Inc. announced that it obtained a private funding of \$1 million through the issuance of a Convertible Promissory Note to a private investor. The note converts into shares of the Company's Common Stock at \$0.40 per share. The company anticipates that the money will fund the business until it achieves positive revenues in early 2005. (*Business Wire*)

> **Advanced BioNutrition** Corp. announced that it has received a \$50,000 grant from Small Business Innovation Research to support a study on "Non-marine Based Fishmeal and Fish Oil

Strategies for the Production of Aquaculture Feed." The grant is helping to fund large scale tests of ABN's fishmeal-alternative diets for shrimp. These trials, which are in progress in growout ponds in South Carolina, are planned as the final phase of ABN's optimization of diets with non-marine based ingredients for shrimp. (*Business Wire*)

> **GeneThera** Inc. announced it has signed a letter of intent to acquire **VDx** LLC, a manufacturer and distributor of veterinary diagnostic equipment and tests. VDx currently sell specialized tests for the dairy and equine market segments. In connection with the acquisition, GeneThera has begun preliminary research into a blood diagnostic and therapeutic vaccine for Johne's disease. Financial terms were not disclosed. (*Feedstuffs*)

> UK **Smithfield Foods** announced the acquisition of two meat companies in the UK with the intention of merging with them. This step will initiate Smithfield's operations in the UK. Smithfield recently acquired the **Norwich Food Co.**, a British chicken, turkey and game importer, and **Ridpath Pk**, a chopped pork and Polish deli meats supplier. Norwich, U.K. will be headquarters for the new Smithfield Foods location. Financial terms were not disclosed. (*Pork Alert*)

ANIMAL HEALTH NEWS

> CZECH REPUBLIC - BSE The State Veterinary Administration (SVA) of the Czech Republic has confirmed the 13th case of BSE in the country since 2001. The case was found in a 59-month old cow. In the following months, 143 cows of cohort will be slaughtered and tested. The source of BSE is unknown, but the SVA suspects randomly contaminated feeds. The use of meat bone meal in any type of feed has been prohibited in the Czech Republic since November 2003. The Czech Republic started regular testing for BSE at the end of 2000. Since July 2001, the country has tested all animals older than 24 months. (*Meating Place*)

> SOUTH AFRICA - AVIAN INFLUENZA An outbreak of avian influenza in South Africa, which killed approximately 6,000 ostriches during the past three weeks, has prompted South African authorities to ban all poultry exports. Authorities identified the AI strain as H5N2, a less dangerous strain than H5N1. The South African outbreak poses little risk to humans, but authorities were still trying to identify the source. Fifteen farms within a nine-mile radius of the initial outbreak have been quarantined. (*Wattnet Meatnews*)

> CANADA - BEEF PRODUCER LAWSUIT AGAINST US A group of Canadian beef producers has launched a multimillion-dollar suit against the US government in a bid to force the reopening of the Canada-US border to live cattle. The claims, filed under a provision of the North American Free-Trade Agreement, seek damages for investments in feedlots and farms hurt by the border closure since May 2003. The closure followed discovery of a lone case of BSE in an Alberta cow. According to the spokesman for the group called Canadian Cattlemen for Fair Trade, the plan is to get other Canadian producers to file similar claims in order to pressure politicians in Washington to take action. (*AP*)

> US - MUMS PASSAGE The Minor Use and Minor Species Animal Health Act (MUMS) was signed into law Monday, August 2, 2004 by President George W. Bush. MUMS creates an index list of unapproved pharmaceuticals that may be used to treat animals with no human food safety risk. An alternative review process using a panel of experts rather than the FDA will provide an avenue to the legal marketability of drugs for minor animal species. (*press release*)

> US - BSE TESTING According to a report by *United Press International*, during the past two years, nearly 500 suspect cows, including some of those considered high-risk, either were not tested for BSE or had the wrong part of the brain collected by USDA officials. USDA records, obtained by UPI under the Freedom of Information Act, suggest that some of the untested

animals were counted under the agency's tally of BSE tests. According to the USDA documents, 486 animals were not tested or had the wrong portion of their brain collected in 2002 and 2003, and more than 200 of the animals were not tested at all. Most of the remaining animals had the wrong part of their brain sent to USDA's National Veterinary Services Laboratories in Ames, Iowa, with a few samples unsuitable to be tested, according to UPI. *(Meating Place)*

> US - ANIMAL ID PLAN FUNDING The USDA announced it will give 26 states and three tribal projects a total of \$11.64 million to conduct studies and advance the U.S. animal identification initiative. The USDA's Animal and Plant Health Inspection Service will distribute the funds. States and tribes can use the funds to register premises through a standardized system provided by APHIS or through other systems that comply with NAIS data standards. Besides registering premises and establishing necessary data transfer procedures, many states and tribes will also conduct field trials or research to test and fine-tune identification technologies and collect animal-movement data. *(Pork Alert)*

> US - BEEF BRANDING SUSPECT **ViaGen** Inc., a genomics firm, has reported that two of its new DNA tests, AnguSure and Inducator, revealed that eight to 50 percent of retail beef carrying a label with the name "Angus" does not meet the USDA criteria for Angus branding. The tests separately assess the two most common criteria employed in branded beef programs certified by the USDA: a minimum of 50% Angus and minimal Brahman influence. Both tests were initially performed on multiple brands of steaks purchased from retail outlets across Central Texas. To get a better handle on the scope of the problem, the company followed up with an analysis of meat from four geographic regions sold under a single brand name. The results were the same in both cases, indicating this is an industry-wide issue and is not brand or region specific. Currently, the determination of the amount of Angus is made by a visual inspection of the whole animal. DNA analysis now shows that manual inspection is not always accurate. About three quarters of the samples that failed one or both tests had higher than desired Brahman influence, the company said. *(Wattnet Meatnews)*

BRASSE CONSULTING VIEWPOINT

“What are the unmet needs in animal health?”

It's a question we get asked often. One answer: Companion animal dental disease – the most frequently diagnosed disease in dogs. The recent AAHA Compliance Study identified dental disease prophylaxis and treatment as one of the largest growth opportunities for veterinarians. The new Brasse Companion Animal Dental Study, mentioned earlier in this newsletter, examines in depth the market dynamics and opportunities from both a veterinarian and pet owner perspective. Could your company benefit from a better understanding of this important market?

Speaking of dogs, the normally hot and sultry “dog days of summer” – so named for the period when Sirius, the largest star in the Canis Major constellation, rises and sets with the sun – ended this week with a whimper as record low temperatures hit much of the nation. Whether due to dog days or summer holidays, it was a relatively quiet week in the animal health industry. We hope all of our readers have a chance in the coming days to take some time off for relaxation and rejuvenation as summer draws to a close. Enjoy!

John Volk, Chicago

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