
**Brakke Consulting's
Animal Health News & Notes for September 3, 2004**
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IN THE NEWS:

earnings news:

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Del Monte
Ridley
Swift & Co.

other news:

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Cross Vetpharm
Energy Savers Unlimited
Frontier Beef Systems
GenVec
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Pfizer
Seara Alimentos
Tridelta
Tyson

COMPANY EARNINGS RELEASES

> **Bayer** reported results for the second quarter and first half of 2004. Sales for its Animal Health division were 225 million euros (\$272 million), an increase of 5% compared to the second quarter of 2003, due largely to stronger demand in North America. Sales increased 9% in local currencies. Advantix and Baycox continued to perform well. For the first half of 2004, Animal Health sales were 403 million euros (\$487 million), an increase of 2.5% compared to the first half of 2003. (*company website*)

> **Ridley Inc.** reported results for its fiscal 2004 year and fourth quarter ended June 30, 2004. Sales revenues for the year declined by 8.2% in fiscal 2004 to C\$610 million (US\$454 million) from C\$665 million (US\$494 million) in fiscal 2003. Feed sales volumes decreased in fiscal 2004 by 8.1% overall. Net earnings for fiscal 2004 were C\$10.9 million (US\$8.1 million), compared with C\$10.4 million (US\$7.7 million) in 2003. For the fourth quarter, net income was C\$1.8 million (US\$1.3 million) after taking into account the discontinued operations of Cotswold Swine Genetics, compared with a loss of C\$6.7 million (US\$5.0 million) for the comparable 2003 period. Sales revenues in the fourth quarter increased 7.4% to C\$148 million (US\$110 million) compared with C\$138 million (US\$102 million) in the year-earlier period. (*Business Wire*)

> **Swift & Co.** reported fourth-quarter net income of \$35.2 million on sales of \$2.6 billion. For the year, the company reported net income of \$44.5 million on sales of \$9.9 billion. Strong

performances in pork sales and the Australian beef segment helped the company achieve record net income for the fourth quarter of fiscal 2004. (*Meating Place*)

> **Del Monte** announced results for its fiscal first quarter ended for the quarter ended August 1, 2004. Sales for the Pet Products segment were \$179 million, compared to \$162 million in the comparable year-ago period. The company reported strong volume growth in the Pet Products segment. (*Business Wire*)

BRAKKE CONSULTING, INC.

Coming this fall: Livestock Insecticide Study

With the advent of endectocides, traditional insecticides may be overlooked as a product category. Nevertheless, they represent a large and stable market opportunity.

The research plan includes qualitative input from industry participants and experts plus quantitative analysis of historical sales data. It examines the sales trends for established products, likelihood of success for new products and what might be in the pipeline for the future. Products evaluated in the study include ear tags, sprays, feedthroughs and pour-ons.

The study will describe and explain:

- How major players give the market its structure
- Age and status of active ingredients
- Prevalence of use
- Economic importance of insecticides to livestock producers
- Livestock owner expenditures on insecticide products
- Products currently recommended by extension personnel
- Products most commonly used by livestock owners
- Perceived reasons for non-use or lack of effectiveness of current products
- Interest in new product concepts that potentially improve effectiveness or convenience
- Revenue potential for current and future products
- Near-term growth potential

In addition, the study will provide Market Shares by manufacturer, product form, active ingredient, species, and pest.

The Brakke Livestock Insecticide Market Study is available for \$10,500. Companies that subscribe by Sept. 21, 2004 and pre-pay 50% receive a \$500 discount. The full report will be available in November 2004.

For more information, please contact John Mannhaupt at jmannhaupt@brakkeconsulting.com.

COMPANY NEWS RELEASES

> The FDA amended the animal drug regulations to reflect approval of a new animal drug application (NADA) filed by Pharmacia and Upjohn Co (now **Pfizer**). The NADA provides for veterinary prescription use of cefpodoxime proxetil tablets for treatment of skin infections (wounds and abscesses) caused by susceptible strains of certain bacteria. (*AnimalNet - Federal Register*)

> 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 spectinomycin dihydrochloride pentahydrate oral solution in pigs under 4 weeks of age for the treatment and control of infectious bacterial enteritis. (*AnimalNet - Federal Register*)

> The FDA amended the animal drug regulations to reflect approval of a supplemental abbreviated new animal drug application (ANADA) filed by **Agri Laboratories Ltd.** The ANADA provides for the use of flunixin meglumine solution by intravenous injection for control of fever and inflammation in beef cattle and nonlactating dairy cattle. (*AnimalNet - Federal Register*)

> **Merial** announced an agreement to acquire certain tests and services from **Frontier Beef Systems**. This acquisition significantly adds to the portfolio of tests and services marketed under Merial's IGENITY brand, a cattle DNA testing service launched in 2003. For beef and dairy producers, the acquisition means greater service and more options for breeding management and selection tools. Now available exclusively from Merial's IGENITY testing services are: IGENITY TenderGENE, IGENITY DoubleBLACK, IGENITY ParentMATCH, IGENITY DNATRACE and IGENITY Sample Archive. (*company press release*)

> The Production Animal Services group of **IDEXX Laboratories Inc.** announced the signing of an agreement for the purchase of **Dr. Bommeli AG**, a division of **Intervet**. Bommeli is an internationally recognized leader in the production animal diagnostic market, offering state of the art diagnostic reagents and testing for the control of diseases. The acquisition is expected to be completed later this year. Financial terms were not disclosed. (*company website*)

> **Central Garden & Pet Company** announced the acquisition of substantially all of the assets of **Energy Savers Unlimited, Inc.** for a total cash consideration of approximately \$34 million. ESU is the market-leading US supplier of high intensity and specialty lighting to aquatics, reptile and avian hobbyists. ESU also markets and sells a broad range of reptile, marine, freshwater and avian accessories and consumables to hobbyists and enthusiasts under its proprietary brand names including: "Energy Savers," "Coralife," "Pondlife" and "Birdlife." In 2003, ESU net sales were approximately \$20 million. (*Business Wire*)

> **Bioniche Life Sciences Inc.** announced that it has been recognized as one of the top 100 global biotechnology companies by Med Ad News in its 13th annual report released in the magazine's July, 2004 issue. Bioniche placed 41st in Revenue; 82nd in Research and Development; and 40th in Employees. Eligibility requirements for the Med Ad News biotechnology report include being publicly-traded; research and development of human therapeutics deriving from a naturally-occurring substance or a biological substance – either human, animal, or plant; applying genetic engineering or recombinant DNA technology; and having therapeutic products intended for sale through prescription. (*company website*)

> **Cargill** recently announced plans to expand in South America by paying \$130 million for a controlling stake in one of Brazil's leading poultry and pork producers. Cargill will buy the 62% stake of **Seara Alimentos** held by Mutual Investments Ltd., a Dutch holding company for Bunge Ltd. Although Brazilian chicken and pork sales have been increasing recently, which has been attributed to the avian influenza outbreak in Asia, Cargill said it would cancel the transaction if avian influenza were discovered in Brazil. (*Meating Place*)

> A federal judge has ordered cattlemen who sued **Tyson Fresh Meats** to pay the company \$70,000 in attorneys' fees. The order came after a verdict in the cattlemen's favor was thrown out for a lack of evidence. Six cattlemen, claiming to represent thousands more, sued in 1994 claiming Tyson had used contracts with a few ranchers to drive down the price of cattle on the open market. A federal jury agreed and recommended Tyson pay the cattlemen \$1.28 billion in damages. But the verdict was overturned in April because a judge said evidence did not support the jury's finding. A federal appeals court is expected to hear oral arguments in the cattlemen's appeal early next year. (*Drovers Alert*)

> **GenVec**, Inc. announced that it has entered into a Specific Cooperative Agreement with the Agricultural Research Services of the USDA to conduct research to prevent the spread of foot and mouth disease. Under the terms of the 12-month, \$300,000 agreement, GenVec will utilize its proprietary adenovector technology to deliver antiviral compounds previously shown by ARS to stimulate the immune system in livestock and protect animals against FMD. ARS will be responsible for testing the new antiviral vectors and also for evaluating the utility of GenVec's adenovector technology for use in new vaccines for controlling FMD outbreaks. (*AnimalNet*)

> EU **Tridelta** plc announced the release of a new ELISA-based diagnostic assay for use in the detection of various *Salmonella* species in pigs. According to the company, the introduction of this new *Salmonella* assay, coupled with the company's unique range of Acute Phase Protein assays, offers a comprehensive range of leading edge biological assays for monitoring animal welfare at all stages of meat production. (*company press release*)

ANIMAL HEALTH NEWS

> EU - FOOD SAFETY BOARD The Advisory Group on the Food Chain and Animal and Plant Health has been formed to facilitate consultation and dialogue between the European Commission and European organizations on food safety policy. According to a release, the group will meet at least twice per year and will consist of up to 45 members from European Union-level associations. Reflecting the Commission's "farm to fork" approach to food safety, the group will be consulted on a wide range of food policy matters. The new Advisory Group is likely to meet for the first time towards the end of this year. (*Wattnet Meatnews*)

> US - VESICULAR STOMATITIS Animal health officials say that the Vesicular Stomatitis (VS) outbreak in Texas appears to be winding down as of mid-August, but more than 150 infected animals have been detected in Texas, New Mexico and Colorado and more cases may be seen before the outbreak is over. Officials said eight premises in Texas currently are under VS quarantine, but no new cases have been confirmed since late July. New Mexico has 80 VS infected equine animals and one llama confined with their herd mates on 51 premises in 11 counties. No new cases have been confirmed recently in the southern part of the state. In Colorado, 52 premises with cattle and/or equine animals in 13 counties are under VS quarantine. (*AAEP News Bulletin*)

> EU - RUSSIAN MEAT AGREEMENT The European Union announced that it and Russia reached an agreement over veterinary certificates that threatened to halt EU beef, pork, and poultry to Russia worth an estimated \$1.4 billion annually. On June 1, Russia banned meat imports from the 25 EU countries insisting that the EU countries use a uniform veterinary certificate instead of separate certificates from individual EU countries. Russia rescinded the ban a few days later under the condition that the European Union would agree to the uniform certificate by September 30, 2004. (*Wattnet Meatnews*)

> US - NEW VETERINARY COMPOUNDING GUIDELINE The FDA announced its intention to draft and publish for public comment a revised Compliance Policy Guideline (CPG) on veterinary pharmaceutical compounding. The FDA anticipates that the draft CPG will be available for comment in the fall of 2004. The FDA has received numerous letters from concerned parties expressing concern that the current CPG lacks sufficient clarity on the circumstances in which veterinary compounding, particularly from bulk drugs, would be permitted. Many of the letters also disagreed with the current policy, stating that it was not within the FDA's legal authority, and complained about the lack of prior public comment. When it is available, the draft CPG will be posted on the FDA's Center for Veterinary Medicine website and a notice of availability will be published in the Federal Register. (*AnimalNet - CVM*)

BRAKKE CONSULTING VIEWPOINT

It's Labor Day weekend here in the US, which is the clear signal that fall is just around the corner or already here depending on your location. The children are back in school and during the next two months our television screens will be filled with political advertisements. In 30 days companies will be reporting their 3rd quarter revenues and earnings. We continue to believe that 2004 will be record growth year for the various segments of the animal health industry. What is 2005 going to look like for most companies? We assume most of you will be budgeting double digit growth for next year. We are encouraged by the various announcements related to new products and technology that will be available in the market place next year. It takes new product introductions to increase the market value. There will be the continued flow of mergers and divestitures during the period.

My how time flies! In August, Brakke Consulting celebrated 5 years of producing and sending this newsletter to several thousand industry managers and observers. It's been fun. We hope you'll continue to enjoy it for another 5 years.

Have a safe and relaxing Labor Day weekend.

Ron Brakke

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