

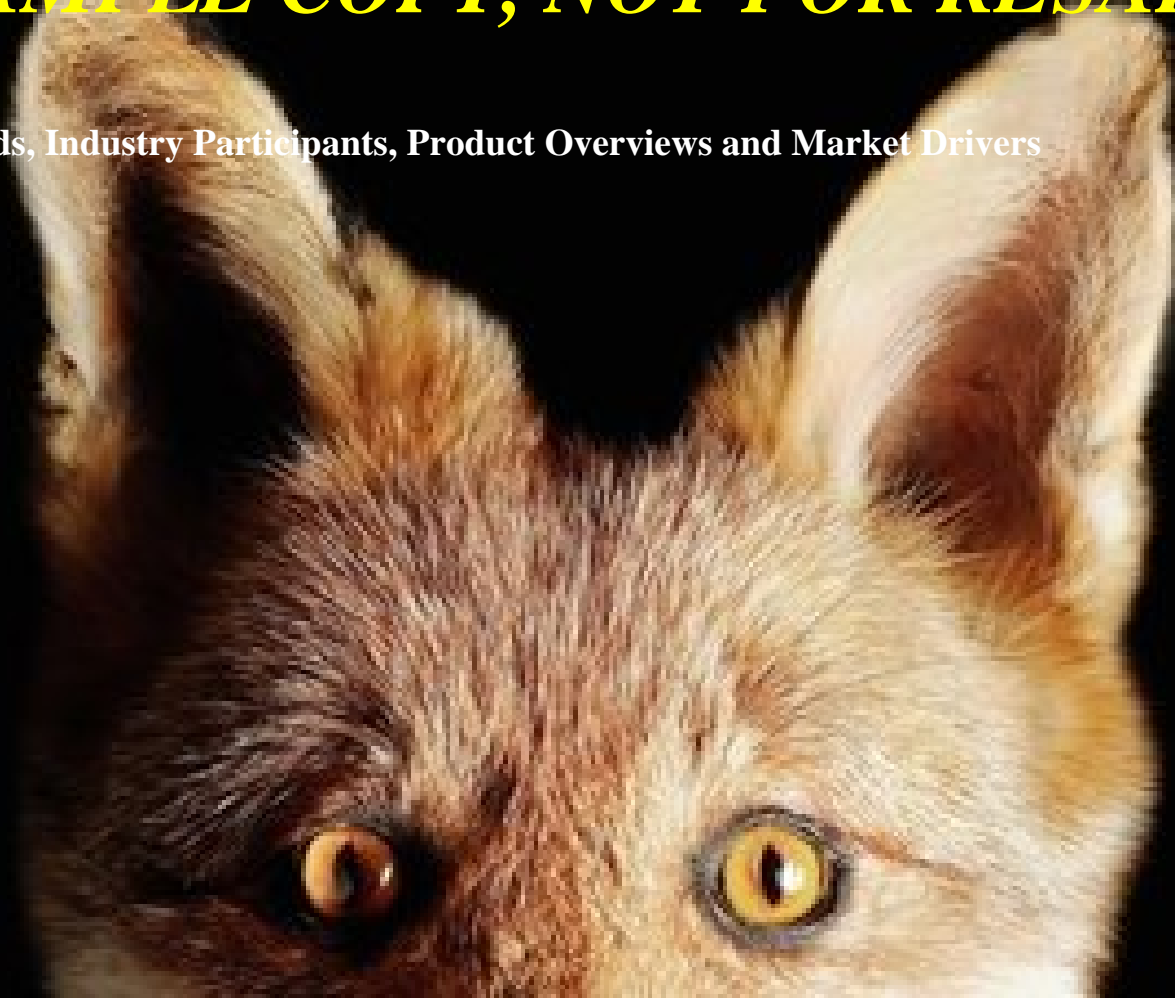
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# VETERINARY HEALTH MARKETS

***(SAMPLE COPY, NOT FOR RESALE)***

Trends, Industry Participants, Product Overviews and Market Drivers



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## 1. Overview

### 1.1 Objective of Report

Profound changes are happening in the animal health market. As an example, pet owners in the U.S. are demanding more advanced and expensive treatments for companion animals, and driving growth in the companion animal sector. At the same time, concerns about livestock healthcare and feeding are driving changes in industrial animal husbandry. This study offers a broad, yet detailed, examination of the shape of the global veterinary health products market over the next several years, specifically analyzing both the livestock and companion animal markets. This report focuses on advances and changes in:

- The regulatory environment.
- Biological products.
- Pharmaceutical products.
- Animal health diagnostic products.
- Emerging biotechnology products.

The study surveys the market dynamics and technological trends to answer several basic, but essential, questions about this market:

- What will be the changes in the regulatory environment (*e.g.*, Veterinary International Co-operation on Harmonization (VICH)<sup>1</sup>)?
- How will closer regulation of hormones and antibiotics (a substance produced by or a semi-synthetic substance derived from a microorganism and able in dilute solution to inhibit or kill another microorganism) in feed impact the livestock markets?
- How are changes in meat consumption influencing the market for livestock health products?
- What new companion animal vaccines are coming to market?
- How have changes in animal vaccine protocols affected the market?

### 1.2 Scope of Report

The overall market for veterinary therapeutics and diagnostic products has grown dramatically. This examination outlines market size, market growth, forecasts and competitive information. Focusing both on companion (pet) animal markets and agricultural livestock, this report examines the markets for pharmaceuticals, vaccines, diagnostics and feed additives. The study covers:

- The size of the markets for companion animal products, broken down by type of animal (*i.e.*, cats, dogs, small animals, etc.).
- The size of the markets for livestock products.
- How the U.S. Food and Drug Administration (FDA) and the Environmental Protection Agency (EPA) regulations impact these markets.
- The identity of the top market players, along with its market shares and future prospects.
- How the antibiotic feed additive controversy is influencing the agricultural market.
- The key players in the veterinary pharma and diagnostic markets.

This examination analyzes each of the key market segments responsible for growth in this industry. It includes accurate and up-to-date research and development (R&D) information from the major veterinary companies; identification of the unmet need in current veterinary treatment and how far each product goes to meeting these needs; an in-depth comparative analysis of individual products and diagnostic tests; and the future sales potential of veterinary therapeutics and diagnostic testing markets.

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<sup>1</sup> Technical requirements for the registration of veterinary medicinal products in the E.U.

### 1.3 Methodology

This review is based upon interviews with sales and marketing professionals of companies in the veterinary health market. They were queried, some several times, about their companies' products and marketing strategies as well as their overall thoughts about their industry segment. Information was also obtained from interviews with CEOs and vice presidents of some of the companies discussed in the report.

Sources of information for the study were trade association publications and meetings, product brochures and catalogs and company literature. Where the companies under discussion were publicly held, an examination of the annual reports, 10k filings and financial reports were used as the basis of the data reported. Important data sources include the Health for All Database of the World Health Organization (WHO), data published by the statistical office of the European Communities (Eurostat), as well as various health data from the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD). Where possible and practicable, the most recent data available have been used. Some e-information was obtained from national government institutions, while economic forecasts are based on the latest predictions published by the International Monetary Fund's (IMF) economic analysis unit.

The author of this report is a PhD in biochemistry with many decades of experience in science writing and as a medical industry analyst. The editor is a PhD in biotechnology with an extensive background in molecular biology. Some of the statistical information was taken from Biotechnology Associates' databases and from TriMark's private data stores. The information set forth in this study was obtained from sources that we believe to be reliable, but we do not guarantee the accuracy, adequacy or completeness of any information, omission or for the results obtained by the use of such information.

#### *Primary Sources*

TriMark collects information from hundreds of Database Tables and many comprehensive multi-client research projects and Sector Snapshots that we publish annually. We extract relevant data and analytics from TriMark's research of the past three years as part of this data collection. We also extract qualified data feeds from questionnaire responses and primary research responses for this compilation.

#### *Secondary Sources*

TriMark uses research publications, journals, magazines, newspapers, newsletters, industry reports, investment research reports, trade and industry association reports, government-affiliated trade releases, and other published information as part of our secondary research materials. The information is then analyzed and translated by the Industry Research Group into a TriMark study. The Editorial Group reviews the complete package with product and market forecasts, critical industry trends, threats and opportunities, competitive strategies and market share determinations. The study's conclusions are verified through intensive interviewing of top-ranking companies in the industry.

#### *TriMark Publications Report Research and Data Acquisition Structure*

The general sequence of research and analysis activity prior to the publication of every report includes the following items:

- Completing an extensive secondary research effort on an important market sector, including gathering all relevant information from corporate reporting, publicly available databases, proprietary databases, direct meetings and personal interviews with key personnel.
- Formulating a study outline with the assigned writer, including important items:
  - Market and product segment grouping and evaluating its relative significance.
  - Key competitor's evaluations including its relative positions in the business and other relevant facts to prioritize diligence levels and assist in designing a primary research strategy.
  - End-user research to evaluate analytical significance in market estimation.

- Supply chain research and analysis to identify any factors affecting the market.
- New technology platforms and cutting edge applications.
- Identifying the key technology and market trends that drive or affect these markets. Assessing the regional significance for each product and market segment for proper emphasis of further regional/national primary and secondary research.
- Launching a combination of primary research activities, including two levels of questionnaires, executive-direct focused, company-specific and region-specific communications to qualified and experienced senior executives worldwide.
- Completing a confirmatory primary research assessment of the report's findings with the assistance of expert panel partners from the industry being analyzed.

#### 1.4 Executive Summary

The world market for animal health products is estimated to be worth \$ [REDACTED] in [REDACTED]. The market is expected to grow at a compound annual growth rate (CAGR) of [REDACTED]% through [REDACTED] to nearly \$ [REDACTED]. Sales for animal health products have been much lower than forecasts, and relatively low growth rates for the sector are likely to continue. Moreover, according to the American Pet Product Manufacturers Association (APPMA), spending on pet supplies, luxuries, and over-the-counter (OTC) medicines is expected to cross \$ [REDACTED] in [REDACTED] in the U.S., up from \$ [REDACTED] in [REDACTED].

Global sales of animal health and nutrition products is estimated to total almost \$ [REDACTED] in [REDACTED]. That figure was around [REDACTED]% higher than the year-earlier total of \$ [REDACTED]. The market is growing at a CAGR of [REDACTED]% through [REDACTED], when it is predicted to reach nearly \$ [REDACTED]. Demand for animal health products of all kinds and types in the U.S. was predicted to advance [REDACTED]% per year from the current \$ [REDACTED] to more than \$ [REDACTED] in [REDACTED], supported by the continuing emergence and threat of animal disease, changes in animal production practices, new product introductions and ongoing food safety concerns.

Worth in excess of € [REDACTED] (\$ [REDACTED]), sales of animal health products in the European Union's (E.U.) 27 member countries are responsible for well over a third of global market sales in this sector. The [REDACTED] leading companies operating in this sector generated aggregated sales of € [REDACTED] in [REDACTED] with market shares set to be concentrated further in the next [REDACTED] years. Japan has an animal health products market size of \$ [REDACTED]. The total global veterinary vaccine market exceeded \$ [REDACTED] in [REDACTED]. The veterinary vaccine market worldwide is projected to cross \$ [REDACTED] in the next [REDACTED] years, growing at a CAGR of [REDACTED]%. According to the Animal Health Institute (AHI), the U.S. animal health market was \$ [REDACTED] in [REDACTED], and it is currently valued at \$ [REDACTED].

Nutritional chemicals, the largest class of animal health products, will see above-average growth due to interest in improving animal food quality, aiding disease prevention and improving waste management. Parasiticides—the second largest class of animal health chemicals—will see the fastest gains as a result of product developments for the companion-animal market, such as those aimed at treating more than one pest with a single product, and the increasing availability of parasite control products for pet owners through retail outlets and the Internet.

Veterinarians will remain the primary end-user of animal health chemicals due to the prescription-only nature of many products and their expertise in diagnosis and treatment. However, veterinarians will face increasing competition from OTC outlets such as pet supply stores and the Internet, which enable pet owners, farmers and animal managers at other sites to purchase animal health chemicals at a lower price. Households will see the strongest growth, as pet owners move toward do-it-yourself animal care. Livestock and poultry will continue to account for the majority of animal health pharmaceutical demand. However, the companion-animal health chemical sector will continue to see the fastest growth driven by strong growth in product development, general aging in the pet population and increased spending per animal.

The pet industry is a major segment of the U.S. economy. In [REDACTED], American pet owners spent over \$ [REDACTED] on companion animals, while in the E.U., pet owners spent € [REDACTED]. The U.S. pet industry is projected to surpass \$ [REDACTED] by [REDACTED]. Growth in all segments of the pet industry provided an opportunity for both existing players

and new entrants. The companion-animal health segment includes diagnostic and monitoring instruments and supplies as well as single-use diagnostic tests, vaccines and pharmaceuticals, primarily for canine and feline use. These products are sold directly, as well as through independent third-party distributors and other distribution relationships. The U.S. population of companion animals has reached approximately [REDACTED], including about [REDACTED] dogs and cats.

Pets, including fish, have become increasingly prevalent in U.S. households. In [REDACTED], there were approximately [REDACTED] pet dogs and [REDACTED] pet cats in U.S. households based on the [REDACTED] APPMA National Pet Owners Survey. The demand for pets is largely influenced by family formation. In [REDACTED], families with children owned more than [REDACTED]% of all pets. In U.S. households, [REDACTED]% owned a pet and [REDACTED]% of those households owned more than one type of pet, according to the APPMA National Pet Owners Survey. Based on the [REDACTED] APPMA National Pet Owners Survey, more than [REDACTED] households in the U.S. owned a pet. Of those households, [REDACTED]% own more than one pet. In total, there are approximately [REDACTED] pets in the U.S.

Until the mid-to-late [REDACTED], dogs had been the companion-animal of choice for most Americans. But cats are now the most popular companion-animal. Although cats may be the most popular companion-animal in the U.S. and outnumber dogs kept in homes by approximately [REDACTED], it is estimated that [REDACTED] of [REDACTED] more cats live in the wild. The pet product industry serves a large and growing market. Of the \$ [REDACTED] spent on pets last year, \$ [REDACTED] was spent on food, \$ [REDACTED] on supplies and OTC medications, \$ [REDACTED] on veterinary care, \$ [REDACTED] for animal purchases, and \$ [REDACTED] for other services. The APPMA estimates that \$ [REDACTED] will be spent on pets in the U.S. in [REDACTED]. Supermarket pet food brands, such as Purina®, Pedigree®, Alpo® and Friskies® accounted for approximately [REDACTED]% of U.S. pet food sales.

Animal health product sales in the U.S. for [REDACTED] are estimated to total \$ [REDACTED]—an increase of [REDACTED]% compared to [REDACTED]. Sales for products used in livestock and poultry are estimated to total \$ [REDACTED], while companion-animal health product sales are estimated to total \$ [REDACTED]. According to the latest figures published by the AHI, the volume of antibiotics used in animals in the U.S. steadily declined from [REDACTED] to [REDACTED]. In [REDACTED], \$ [REDACTED] of antibiotics were sold, while in [REDACTED], usage was \$ [REDACTED]. Feed additives sales increased by [REDACTED]% in [REDACTED], with sales of \$ [REDACTED].