

**Review of
Kansas City Area
Animal Health Assets**

August 17, 2006

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Executive Summary

- [The Kansas City Animal Health Corridor is home to over 100 companies serving the animal health and nutrition industry, including 22 animal health product and equipment manufacturers, 9 distributors, and 17 animal nutrition companies. In addition, there are 41 basic suppliers and over two dozen service providers providing a framework of support for animal health companies in the area.
- [37 companies involved in the animal health industry have their US or global headquarters in the Kansas City area. These include 15 animal health product manufacturers; 4 equipment manufacturers; 7 distributors; and 11 service providers. Another 7 companies in the nutrition industry are headquartered in the area.
- [Animal health product companies headquartered in the KC area represent 27% of the US animal health sales, and 30% of the global animal health sales.
- [US sales of the 15 animal health products and 7 animal nutrition companies headquartered in the KC area are an estimated \$1.4 and \$1.7 billion, respectively.
- [Four of the top 10 animal health companies in the world have their US or global headquarters in the KC area, as does the world's leading generics manufacturer and one of the top five pet food companies in the world.
- [Kansas City's proximity to 4 accredited veterinary colleges, as well as other schools with veterinary programs, offers animal health companies a unique talent pool, as well as research capabilities, unequalled elsewhere in the US.
- [Brakke was unable to identify any other area in the US that has invested specifically in trying to attract animal health companies to the area, although there are numerous biotechnology initiatives that would welcome animal health companies. There are also some areas that opportunistically pursue animal health companies, but those efforts are not part of an overall strategic plan to build an animal health industry center.
- [Kansas City's central location provides an attractive rationale for animal health companies to be based there. Not only is it geographically central to the continental US, it is also close to many of the food animal end customers. Within 350 miles of Kansas City are more than 45% of the fed cattle in the US; more than 40% of the hogs produced in the US; and 20% of the beef cows and calves.

Overview

The Kansas City Area Development Council (KCADC) is a publicly and privately funded organization charged with attracting business to the greater Kansas City area. It has specifically identified animal health and nutrition companies as attractive targets, due in large part to the robust industry that already exists in the vicinity.

KCADC retained Brakke Consulting, Inc. to assist in identifying target prospects, and in developing information and analysis that can be leveraged in KCADC's promotional programs.

Specifically, the objectives of the assignment were:

1. To develop a comprehensive database of key contacts at animal health and nutrition companies nationally and internationally, as well as those within the greater KC area.
2. To identify companies that could be considered prime candidates due to growth or other changes within their organizations.
3. To identify potentially competitive locations and determine if and how they are working to attract animal health and nutrition companies.
4. To identify and quantify the key animal health and nutrition corporate assets within the greater KC area that could be leveraged in KCADC promotional initiatives.

Methodology

To develop the data sought by KCADC, Brakke mined existing Brakke Consulting databases for companies, executive names, complete contact information and other data relevant to each of the objectives. In addition, Brakke surveyed its entire roster of consultants, as well as various animal health and nutrition executives, for information regarding key KC area assets including suppliers, target companies, and competitive activities. Finally, Brakke searched existing KCADC data, Internet sources and available databases for relevant information.

Database of Kansas City area animal health companies

A comprehensive database of KC-area companies involved in the animal health and nutrition industry is included as an appendix to this report. The database includes over 100 companies, including:

- [17 animal health product manufacturers
- [5 animal health equipment manufacturers
- [17 animal nutrition manufacturers
- [9 animal health distributors and/or buying groups
- [41 companies that are basic suppliers to the animal health and nutrition markets
- [26 service providers offering research, personnel services, marketing and other resources, including:
 - o 2 major veterinary and livestock publishing companies
 - o 14 advertising agencies and market research firms with deep experience in animal health and nutrition
- [5 trade associations
- [2 accredited veterinary colleges (plus two more in neighboring states)

There are 44 companies involved directly or indirectly in the animal health and nutrition industry (excluding ingredient suppliers) that are headquartered, at the US or global level, in the KC area. This includes 15 animal health product manufacturers, 4 equipment manufacturers, 7 distributors, and 7 animal nutrition companies, as well as a number of suppliers and service providers. Four of the ten largest global animal health manufacturers in the world call the KC area home: Bayer Animal Health, Boehringer Ingelheim Vetmedica, Fort Dodge Animal Health and Intervet. Additionally, Hill's Pet Nutrition, one of the five largest pet food companies in the world, is headquartered in the greater Kansas City area, as is IVX Animal Health, the world's largest generic animal health manufacturer.

The 15 animal health product companies with global or US headquarters in the Kansas City area make a substantial contribution to the animal health products industry, representing 27% of the \$5 billion US animal health market and 30% of the \$14.2 billion global animal health market.

The Kansas City area is also important to animal health distributors. AgriLabs, Durvet, and Vedco, three of the largest distributor buying groups, are headquartered in the Kansas City area, as is Wheatbelt, one of the leading farm store buying groups.

The Kansas City area includes two veterinary colleges: the University of Missouri and Kansas State University. In addition, the veterinary colleges at Iowa State University and Oklahoma State University are located in neighboring states. The Kansas City area's proximity to four accredited veterinary colleges offers animal health companies unprecedented access to trained professionals and cutting-edge veterinary research. The area is also home to several other universities and colleges that offer veterinary programs, including the University of Nebraska's Ph.D. program in veterinary science and the Kansas City Metropolitan Community College's veterinary technician degree program, one of the leading technician training programs in the country.

There are many companies supporting the animal health and nutrition industries in Kansas City as well. Animal health companies can take advantage of firms offering

advertising, market research, recruiting, R&D services, and more, with the benefit of knowing that these partners have the background and experience to understand the unique aspects of the animal health market.

Competitive Comparison

To determine whether other cities or geographic areas have identified animal health as a specific marketing target, Brakke searched in several ways. We contacted animal health companies in areas that might be expected to have such programs, e.g. Research Triangle, North Carolina. We also contacted animal health companies that had recently conducted site searches, to determine what localities had approached them. In addition, we did an extensive Internet search.

In short, we did not find any other localities that have programs geared to attract animal health firms specifically. One comes close: the Biocrossroads program in Lafayette, Indiana. This is a cooperative effort of Purdue University and several other Indiana organizations. We believe that Eli Lilly is the major underwriter, and the Indiana governor is a former Lilly executive. Biocrossroads reaches out to animal health and agricultural firms, in addition to companies in other life science industries. You may want to check out its website at www.biocrossroads.com.

Kansas State is pursuing independent efforts within the KC-area's identified boundaries. Kansas State University is currently developing a Research Park in conjunction with the city of Manhattan, KS. The veterinary college at K-State is intimately involved in this effort, and in fact is planning to locate a pharmacology-related nonprofit startup company within the Research Park.

Within the Midwest, there are many areas that opportunistically pursue animal health companies, even if their outreach programs are not specifically geared to the industry. Those include:

- Biotech Park in Ames, IA – located near Iowa State University; offers a financial incentive to locate there
- Brookings, SD – near South Dakota State University; very strong desire to expand industrial base but hampered by travel issues
- CORTEX in St. Louis
- Madison, WI – strong agricultural and medical industry base; located near University of Wisconsin; attractive urban location
- Minneapolis/St. Paul, MN – strong agricultural and medical industry base; located near University of Minnesota; attractive urban location
- University of Illinois Medical Research Park in Chicago
- Worthington, MN

No doubt there are others.

In addition, there are literally dozens of localities that have established medical or biotechnology parks, and which are very welcoming to animal health companies, especially start-ups. Many of the veterinary colleges have established relationships with nearby research parks. You are no doubt familiar with most, if not all, of them. An Internet search will turn up page after page of them. Included in the appendix is an electronic publication listing several leading areas.

When contacting various individuals, we frequently heard kudos to Kansas City for seeking animal health companies. When people learned of it, they felt it was an excellent idea, especially given the extensive industry resources in the area. We feel that the Kansas City Animal Health Corridor offers unparalleled benefits to animal health companies located there.

Market Research

Animal Health Market Sales

The US animal health industry is valued at approximately \$5.0 billion. This figure includes animal health products such as pharmaceuticals, vaccines, parasiticides, and medicated feed additives. It does not include nutritional feed additives (an estimated \$1 billion market). The global animal health industry is valued at approximately \$14.2 billion excluding nutritional feed additives.

We estimate that animal health product companies headquartered in the Kansas City area represent approximately \$1.37 billion in sales or 27% of the US animal health market. These companies represent global sales of \$4.3 billion, or 30% of the worldwide animal health market. Many of these companies have a US headquarters in the KC area, but conduct the majority of their business internationally. Animal nutrition companies add another \$1.7 billion to the animal health sales based in the Kansas City area. Distributors headquartered in the Kansas City area represent over \$300 million in turnover.

Leading Animal Health Products

A number of leading animal health products are produced by companies based in the KC area.

- [Bayer's Advantage/Advantix is one of the leading flea and tick products, while Baytril is one of the best-selling antibiotics in the US, particularly in companion animals. Droncit and Drontal are the leading tapeworm products, while Legend is the best-selling equine hyaluronic acid arthritis treatment. Rompun is one of the most widely used injectable anesthetics in veterinary medicine.
- [Fort Dodge manufactures leading products such as Cydectin/Quest endectocide; West Nile Innovator equine vaccine; the ToDAY/ToMORROW and Cefa lines of mastitis products; and Torbugesic/Torbutrol, the leading opioid analgesic. In addition, Fort Dodge's Duramune canine vaccines, Fel-O-Vax feline vaccines, and Triangle cattle vaccines are market leaders.
- [Intervet manufactures Panacur/Safeguard, one of the leading anthelmintics, as well as Revalor implants.
- [Boehringer Ingelheim Vetmedica's Metacam is becoming one of the leading pain management products for dogs and cats, and their PRRS swine vaccine is the dominant vaccine for that disease.
- [Ivy Animal Health's Component is the leading brand of growth implants in the US cattle market.

Animal Health R&D

The four largest animal health companies in the KC area (Bayer, Intervet, Fort Dodge, and Boehringer Ingelheim Vetmedica) spend approximately \$325 million per year on research and development efforts in animal health. It is impossible to determine how

much of that figure is spent in the KC-area facilities; however, all but Fort Dodge have extensive R&D facilities outside the US.

Kansas City as a central location

Kansas City is centrally located, whether you consider the geographic center of the United States or the concentration of food animal production. Within 350 miles of Kansas City are more than 45% of the fed cattle in the US; more than 40% of the hogs produced in the US; and 20% of the beef cows and calves. The KC-area offers an unequalled proximity to the animal health industry's end users, particularly food animals. Its location in the middle of the continent helps to maximize efficiencies in shipping products across the US.

Appendices