The worldwide market for animal health products is already 7.3 billion in 2002.
Growing market: 5% in 2003.
Market’s attractions:
- Pet owners show little price sensitivity for animal medications
- Aging pets due to the increased life expectancy
- New drugs for animals to treat conditions such as arthritis and heart failure
- Raised level of consumer expectations in terms of the care their pets should receive

- Of the top 10 animal health companies, 8 are subsidiaries of large pharmaceutical corporations
- They provide solid profits for the pharma companies
- But may now wish to divest them
- Big pharmaceutical companies may want to take a second look at the potential of the animal health care market
The customer view towards animal health

The changing lifestyle of pet owners
- One reason for the growth in sales of pet products and services
- Animals are increasingly seen as family members—a development tied in part to the fact that more people live on their own, to the slowdown in human birth rates, and to urban alienation
- Even though the number of animals is in stagnation
- Expenses on animal health are increasing 7% a year

The animal health industry:
- Pharmaceuticals: insecticides and dosage-form medicines and other pharmaceutical preparations
- Feed Additives: to control and prevent disease, enhance growth, and improve feed efficiency
- Biologicals: used to create immunity to disease, include vaccines, bacterins and antitoxins

The global market:
- The global market for veterinary drug products amounted to $13.7 billion in 2002
- Annual growth rates was 5% in 2003
- 50% was consumed in 6 countries.
- US accounts for $3.9 billion in 2003, the US is the world's biggest market for animal health, 29% to global sales in the sector.

The European animal health market:
- The European animal drugs market is worth $3.5 billion
- The 15 old Member States, generate 25% of the global animal health market.
- 5 countries, France, the UK, Germany, Spain and Italy, account for 80% of the EU sales total.

The Spanish market:
- Spain is one of the fastest-growing markets in the world, with sales up 30% in 5 years to reach €504 million in 2002.

World Sales of Animal Health Products

Major Markets' Share of Global Animal Health Sales

Animal Health Care

Customer view towards the animal health

The animal health industry

Value Sales Development of Animal Health Products by Sector
Leading Manufacturer Involvement
What represent animal health for them:

• Wider involvement in the human pharmaceutical or chemical industries
• Of the top 10 animal health companies, 8 are subsidiaries of large pharmaceutical corporations
• 60% of the global veterinary medicine market is produced by 10 companies
• Industry consolidation: Merger & Acquisition Activity

What represent animal health for pharma companies:

• They provide 4-5% of their parents’ sales
• Or are fully animal drugs producers
• Their contribution to corporate profits can be quite substantial because human treatments, can be applied to animal care at a relatively low cost.

Major Manufacturers: Animal Health as a Proportion of Total Sales

World’s Major Manufacturers of Animal Health Products

R&D: New Product development
Expenditure on R&D per product

New Product development:

• Particularly in the companion animal sector
• Offer solutions to new disease threats: aging population
• Direct translation of the relevance of new human drug developments to animal usage

Research & Development – Investment Levels:

• Difficult to identify an investment attributable only to animal health products, because most leading manufacturers report this only at a global level
• The European trade association, FEDESA, calculates more than 10.0% of sales on research & development activities
• In 2003 Animal Health Institute member companies spent $516 million to research and development
  – 1) Innovative research: $439 million, 85% of total R & D spending
  – 2) Defensive research: $76 million, 15%
• The 2003 total represents an increase of 1 percent over 2002
• The increased investment in R&D is proportionate to the trend in the industry sales

Expenditure on R&D per product:

• A new chemical entity requires a lengthy period of initial development to the point of regulatory approval (average 7-8 years)
• US$55-100 million required to fund that development for each new product
• The exclusivity of a technological advance may be relatively short-lived, so that speeding the process to market launch is of prime
**Strategy to follow:**

**Barriers to growth on the animal healthcare:**
- Animal health products typically represent a minor element of the corporate portfolio
- Profits can seem small to major pharma companies
- Tightening of regulatory controls
- Increase in the level of generic competition

**Strategy to follow:**
Some of them are thinking about divesting these subsidiaries in order to focus more on their human drug business.

Research indicates that animal health divisions are worth keeping.

1- **Licensing and Partnership Opportunities in Animal Health R&D:**
- With specialist companies developing proprietary technologies
- Success in the longer run will depend on the quality and breadth of individual company pipelines

2- **An analysis of existing products that can be adapted for the companion animal market:**
- Existing either human pharmaceutical or, in the agrochemical sector
- Develop ‘crossover’ products: adapted for veterinary use
- Avoid long and costly development programmes