

Animal pharma



Animal Pharma The animal pharmaceutical industry (also known as the animal health industry) sells commercial products for livestock productivity/health and companion animal (pet) health, including medicines and vaccines, diagnostics, medical devices, nutritional supplements, veterinary and other related services. This sector does not include livestock feed and pet food products (although in some cases it may include medicated feed additives).

Leading Companies by Animal Pharmaceutical Sales, 2020

Rank	Company / Headquarters	Animal Health Sales, \$US millions	% global market share
1.	Zoetis (USA) ¹	6,675	19.7
2.	Merck & Co. (USA) ²	4,703	13.9
3.	Boehringer Ingelheim Animal Health (Germany) ³	4,699	13.9
4.	Elanco (USA) + Bayer Animal Health (UK) ⁴	4,400 <i>pro forma</i>	13.0
Total Top 4		20,477	60.5
5.	IDEXX Laboratories (USA) ⁵	2,532	7.6
6.	Ceva Santé Animale (France) ⁶	1,344 [2019]	4.0
Total Top 6		24,353	72.1
7.	Virbac (France) ⁷	1,065	3.2
8.	Dechra Pharmaceuticals PLC (UK) ⁸	661	2.0
9.	Phibro Animal Health Corporation (USA) ⁹	527	1.6
10.	Kyoritsu Seiyaku Corporation (Japan) ¹⁰	524	1.6
Total Top 10		27,130	80.5
Total World Animal Pharma Market¹¹		33,800	

ETC Group research, based on company reporting

According to Vetnosis, total worldwide animal pharma sales reached US\$33.8 billion in 2020.¹²

The top four firms control 60.5% of the global animal pharmaceutical market. The top six firms control 72% of the global animal pharmaceutical market.

The top four animal pharma companies are subsidiaries or spin-offs of the world's largest pharmaceutical companies. **Zoetis** is a spin-off of Pfizer; **Elanco**, now independent, was a spawn of Eli Lilly; **Boehringer Ingelheim Animal Health** and **Merck Animal Health** are subsidiaries of their respective parent companies.

Trends: chew on this

ETC finds that:

- **The animal pharmaceutical industry continues to consolidate.**
- **The pet-related market is driving industry growth; leading firms are competing to take a bigger bite of the “companion animal” sector.**
- **In both the companion animal and industrial livestock sectors, big data and digital services are targets of recent mergers and acquisitions.**
- **The animal pharma industry is embracing digital technologies – especially digital diagnostics/analytics, remote monitoring and identification/tracing services, and online vet services.**

Dog-Eat-Dog Consolidation: In August 2020, **Elanco** completed its US\$6.9 billion acquisition of **Bayer Animal Health**. In June 2021 Elanco announced its intention to acquire Kindred Biosciences, with the expectation that it will deliver a blockbuster drug for the billion-dollar pet dermatology market. In 2021, the world's leading vet pharma firm, **Zoetis**, announced it would acquire Jurox, an Australia-based animal health company.

Gone to the Dogs: Globally, the animal pharma industry derives an estimated 59% of its market from the food animal sector and 41% from companion animal products/services.¹³ Nevertheless, the “humanisation of pets” is driving the largest share of growth in the animal pharma industry – a trend that's accelerating during the global pandemic.¹⁴

The global market for the animal pharma industry was almost US\$34 billion in 2020, but US pet owners alone spent nearly three times that amount – a record US\$104 billion – on pet-related expenses in 2020 (ranging from food, toys, grooming and daycare, to vet-related services).¹⁵ In China, pet ownership increased by 300% from 2013 to 2019, and the pet economy shot up 400% during the same period.¹⁶ Another barometer of the surge in the pet economy is that 2021 saw 44 mergers and acquisitions in the pet food industry worldwide, a 75% jump over the previous year.¹⁷ Once unimaginable products and services (e.g., dating apps for pooches, pet massage treatments and doggie ice cream treats) are just the tip of the tail, and that’s precisely why the animal pharmaceutical industry is rapidly diversifying beyond the traditional boundaries of drugs and medical vet services.

Beyond Therapeutics: Animal pharma giants seek to become the one-stop-corporate-shop for pets and livestock health needs. They may not own the vet (yet), but these firms are competing to develop new revenue streams – beyond therapeutic products. The same company that sells animal meds and vaccines may now offer online subscription services for routine medical care and veterinary services; it may sell direct-to-consumer pet insurance or own the veterinary clinic and the diagnostic lab that determines what meds your animal needs. Ownership of all of these – and a growing suite of proprietary, high-tech, digital tools that analyze/diagnose and monitor animal health and industrial livestock performance – are rapidly consolidating in the hands of animal pharma leaders. Recent investments by the world’s largest animal pharma firms tell the story:

In April 2019 **Merck Animal Health** acquired Antelliq, a company focusing on digital identification, traceability and monitoring of livestock, for US\$2.4 billion. The self-described leader in “animal health intelligence and data expertise,” Merck has since established a separate business unit for its smart data products/services for animal ID, monitoring and traceability of livestock, fish and pets. Among Merck’s recent data-driven acquisitions:

- Sure Petcare, a suite of pet technology products that monitor the day-to-day activities of pets (feeding, sleeping, exercising) to indicate when a pet may need special care. Merck’s Sure Petcare offers veterinary hospitals a commission for each online sale that results from the vet’s recommendation of select Sure Petcare products.¹⁸
- Poultry Sense Limited, maker of digital tools to monitor and assess parameters of industrial flocks such as weight, water usage, humidity, light, temperature and carbon dioxide levels.¹⁹
- New Zealand-based Livestock Improvement Corporation Ltd (LICA) that specialises in automation and technology for dairy herds (i.e., milk-testing sensors that measure fat, protein, somatic cell counts, lactose, conductivity, and volume while a cow is being milked).²⁰
- IdentiGEN, a company that specialises in DNA-based animal traceability for livestock and aquaculture;

- Vaki, maker of real-time video monitoring for industrial fish farming;
- Quantified Ag, a data and analytics company that monitors cattle body temperature and movement in order to detect illness.

In 2020, **Zoetis**, the world’s largest animal health care company, launched a new pet insurance unit dubbed Pumpkin,²¹ a direct-to-consumer pet care and pet insurance company that enables customers in the U.S. “to make data-informed care decisions based upon their individual pet’s health needs.”²²

Animal pharma isn’t the only industrial food and ag sector drooling over the rapidly expanding market for pets. **Mars, Inc.**, the world’s sixth largest food and beverage processor, now makes more revenue from pet food and veterinary clinics/hospitals than it does from its chocolate candy bars and human food products. In 2017 Mars spent US\$7.7 billion to acquire VCA, a company that owns about 800 animal hospitals and vet lab businesses, and dog day-care franchises. Mars has since expanded its stable of veterinary businesses with acquisitions in Japan, Brazil and Europe²³ and owns more than 2,500 vet businesses globally.²⁴ Private equity firm IVC became Europe’s largest vet care provider with a buying spree of more than 1,500 veterinary practices – once considered a “cottage industry” in many countries.²⁵

- **Zoetis** has invested more than US\$2 billion since 2018 to acquire veterinary diagnostics (equipment as well as regional laboratories).²⁶ The ownership of veterinary labs in the U.S. is now tightly concentrated in the hands of three giant firms, with “relatively nothing left to acquire,” according to industry analysts.²⁷
- In 2020, **Zoetis** acquired cattle management software company Performance Livestock Analytics to help industrial feedlots analyze cattle feed efficiencies, evaluate costs and performance, and monitor health of individual animals.
- In early 2021, **Boehringer Ingelheim** announced the creation of Pawru, Inc. as a separate entity within the company’s animal health portfolio to expand its digital platform, including a mobile app that links pet owners with veterinarians for telemedicine appointments, prescription refills, messaging, pet health care content and more.²⁸

Notes

- 1 Zoetis 2020 Annual Report, p. 2: https://s1.q4cdn.com/446597350/files/doc_financials/2020/ar/Zoetis-2020-Annual-Report.pdf.
- 2 Merck & Co. news release, “Merck Announces Fourth-Quarter and Full-Year 2020 Financial Results,” 4 February 2021: <https://www.merck.com/news/merck-announces-fourth-quarter-and-full-year-2020-financial-results/>.
- 3 Boehringer-Ingelheim Annual Report 2020, p. 36: https://annual-report.boehringer-ingelheim.com/2021/downloads/archiv/bi_ar_2020_en.pdf.
- 4 Elanco 2020 Annual Report, p. 10: https://s1.q4cdn.com/466533431/files/doc_financials/2020/ar/2020-Annual-Report_Elanco_vf-00.pdf. Note: Although Elanco reported US\$3,300 million in 2020 sales, the company’s annual report, p. 10, states: “Revenue for the combined company was \$4.4B, assuming a full year of Bayer Animal Health revenue and excluding divestitures for both companies.”
- 5 IDEXX 2020 Annual Report, Revenue by Operating Segment, p. 49: <https://www.idexx.com/files/2020-idexx-annual-report.pdf>. Note: Our figure for IDEXX 2020 revenue does not include revenue from the Water (testing) segment and Other segment.
- 6 Revenue figure is from 2019. Ceva Sante Animale news release, “Ceva returns to strong double-digit growth in 2019 and reveals plans to double sales by 2025,” 12 March 2020: https://www.pig333.com/company_news/ceva-saw-strong-double-digit-growth-in-2019-now-plans-to-double-sales_15925/. The private company changed its shareholding structure in 2020 and new figures have not been released.
- 7 See Virbac website: <https://corporate.virbac.com/home/discover-virbac/about-virbac.html>. 2020 sales = €934 million.
- 8 Dechra Pharmaceuticals 2021 Annual Report [FY ending 30 June 2020], p. 2. Annual report available here: <https://www.dechra.com/investors/financial-reports-and-presentations>. 2020 sales = £515.1 million.
- 9 Phibro Animal Health Corporation news release, “Phibro Animal Health Corporation Reports Fourth Quarter and Fiscal Year Results, Provides Financial Guidance,” 25 August 2021: <https://investors.pahc.com/press-releases/press-release-details/2021/Phibro-Animal-Health-Corporation-Reports-Fourth-Quarter-and-Fiscal-Year-Results-Provides-Financial-Guidance/default.aspx>. Sales figure is for FY ending 30 June 2020.
- 10 Kyoritsu Seiyaku web site, annual revenue figure is from May 2020: <https://www.kyoritsuseiyaku.co.jp/en/about/financial.html>.
- 11 The statistic is found on the website of Health for Animals, an industry trade group representing the animal health sector: <https://www.healthforanimals.org/about/our-sector/>.
- 12 The Vetnosis estimate for 2020 appears here: <https://www.healthforanimals.org/about/our-sector/>. Vetnosis provides commercial intelligence for the animal health industry.
- 13 According to the website of Health for Animals, the international industry association: <https://www.healthforanimals.org/about/our-sector/>. The statistics for the world market for veterinary medicines and animal health products for the year 2020 come from Vetnosis, a market intelligence firm.
- 14 Zoetis 2020 Annual Report, p. 2: https://s1.q4cdn.com/446597350/files/doc_financials/2020/ar/Zoetis-2020-Annual-Report.pdf.
- 15 American Pet Industry Association website, “Pet Industry Market Size, Trends & Ownership Statistics,” 24 March 2021: https://www.americanpetproducts.org/press_industrytrends.asp
- 16 Chris Miller, The Extraordinary Rise of China’s Pet Industry, *China Business Review*, 4 June 2021: <https://chinabusinessreview.com/the-extraordinary-rise-of-chinas-pet-industry/>.
- 17 Tim Wall, “44 pet food industry mergers and acquisitions 2021,” *PetFoodIndustry.com*, 27 December 2021: <https://www.petfoodindustry.com/articles/10916-44-pet-food-industry-mergers-and-acquisitions-2021?v=preview>.
- 18 Merck Animal Health, “Sure Petcare Announces New Program for Veterinary Practices Opportunity to Increase Revenue,” 26 March 2021: <https://www.merck-animal-health-usa.com/newsroom/sure-petcare-announces-new-program-for-veterinary-practices-opportunity-to-increase-revenue>.
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- 22 Zoetis news release, “Innovative New Pet Health Start-up, Pumpkin Insurance Services, Launches in the U.S.,” 30 April 2020: <https://www.businesswire.com/news/home/20200430005460/en/Innovative-New-Pet-Health-Start-up-Pumpkin-Insurance-Services-Launches-in-the-U.S>.
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- 24 Ross Kelly, “Pandemic hastens ongoing trend in veterinary consolidation,” *VIN News*, 30 December 2021: <https://news.vin.com/default.aspx?pid=210&catId=612&ld=10652228>.
- 25 Judith Evans and Kaye Wiggins, “Going to the vet: what happens when private equity invests in a cottage industry,” *Financial Times*, 20 April 2021: <https://www.ft.com/content/9a825fe8-8ea5-4ef3-84b7-2529bfe5ffed>.
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- 27 Jennifer Fiala, “Zoetis’ splurge on veterinary labs meets rocky transition,” *VIN News*, 7 October 2021: <https://news.vin.com/default.aspx?pid=210&catId=621&ld=10504884>.
- 28 Boehringer Ingelheim Animal Health news release, “Boehringer Ingelheim Animal Health USA Establishes Pawru, Inc.,” 16 Feb 2021: <https://www.boehringer-ingelheim.us/press-release/boehringer-ingelheim-animal-health-usa-establishes-pawru-inc>.