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Business Day

Generics Advancing on Lucrative Pet Drug Market

By THE ASSOCIATED PRESS

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PORTLAND, Maine (AP) — When Samantha Lowe's 12-year-old Labrador retriever needed anti-inflammatories to ease her arthritis, she found herself facing the same question humans face when it comes to prescriptions: Name-brand drug, or generic?

She did the same thing many people do: She chose the generic version to save money.

"If a generic works as well as the real thing, I'm all for saving money," said Lowe, whose family in Cape Elizabeth includes two other dogs and a cat, in addition to her husband and two children.

As patents expire for branded pet drugs, more generics are finding their way into veterinarian's offices, where they offer the potential of big savings for owners of dogs, cats and other pets. In a nation where people have more than 86 million cats and 78 million dogs as pets, the savings are substantial.

An estimated 10 percent of animal health drugs are now generic varieties, up from an estimated 5 percent five years ago, and many believe generics will account for half of all pet medications within a decade, said Robert Fountain II, president of Fountain Agriconsult LLC, an animal health consulting company in Connecticut.

"We've been saying that this is the dawn of the bull market for generic animal health drugs," he said.

Veterinarians can now prescribe any of four types of drugs for animals in need of medication — human-approved branded and generic drugs, or pet-approved branded and generics.

While the animal market is a fraction of what is spent on prescriptions for people, it's still a big-money industry. In 2009, \$6.4 billion was spent in the U.S. on animal medicine, with 60

percent of that — \$3.8 billion — spent on companion animals and the other 40 percent on food animals, such as cattle, pigs and chickens, according to the Animal Health Institute, a trade group in Washington, D.C.

The pet prescription market for the most part has been dominated by large, well-known companies such as Pfizer and Merck, which owns the Intervet Schering-Plough animal health business. But a number of other companies are now developing generic pet drugs as the opportunity arises.

Putney Inc. is one of those companies. Started five years ago in Portland, it launched its first product — carprofen, a generic version of Rimadyl, a painkiller marketed by Pfizer's animal health division— in 2009. Its second product, a generic ketamine used for anesthesia and sedation, came out last year.

The company plans to launch a third pet generic this year or next depending on FDA approval, and has another 20 in the pipeline that could be brought to market in the next three to five years, said President and CEO Jean Hoffman. She's aiming to grow her company's revenues from about \$10 million last year to \$150 million in 2015.

Americans fill 72 percent of their own prescriptions with generics, she said. But with so few pet-approved drugs having generic equivalents, Hoffman said there's plenty of opportunity for new generics to be introduced as Americans treat their dogs and cats for everything from diabetes and bronchitis to skin infections and anxiety. Generic drugs on average offer savings of about 25 percent, she said.

"There are very few generic drugs approved for pets," she said in an interview in her Portland office. "We see that as the need."

Veterinarians are slowly increasing the number of generic pet prescriptions they're writing. At the Forest Avenue Veterinary Hospital in Portland, generics — both human and pet — now make up a majority of the prescriptions that are filled, said veterinarian Bennett Wilson.

Wilson prescribed carprofen instead of Rimadyl as a cost-saving measure when prescribing a painkiller for Maggie, Lowe's black Lab. While pet drugs make up only a small portion of the generics he prescribes, they have grown at 10 to 15 percent in the fast few years, he said.

"I think it's good for the industry, good for pets and good for pet owners," he said.

A number of patents on branded pet drugs have already expired and many more are scheduled to expire in the next few years.

Fountain expects the animal health divisions of the largest pharmaceutical companies — such as Pfizer and Bayer — to create generic versions of their branded drugs to cash in on the generic market. Those companies are at an advantage because they'll be able to turn around a generic version of a branded drug without FDA approval because the drugs will be the same as their branded ones, he said. But a company developing a new drug for the first time could wait years for government approval, he said.

"There'll be growth, but some of the generic companies that are out there won't be seeing as much opportunity as they thought because the pioneer companies will create their own generic division and sell both the high road and the low road," Fountain said.

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