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Animal Health International Inc., Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Lisa Gill with J.P. Morgan

Stand in for Lisa Morgan - J.P. Morgan

Hi, thanks [audio gap] for Lisa.

I have a question on the production animal segment. Bill, you mentioned things are bottoming out there, so do you envision that returning to profitability next quarter? Then going back on those comments about boding well, it looks like your guidance for next quarter it seems something like \$140 to \$155 million in the revenues, so the low end of that is a little bit below what you came up with this quarter. So, do you believe things could get a little bit worse before they get better?

Bill Lacey

There were a lot of questions there. I think our fourth quarter is going to be a very tough quarter very similar to our third quarter, although there will be more drop through to the bottom line. The third quarter is our business is one of the least profitable quarters during the fiscal year.

If you look at milk prices right now they are in the \$10.00 range. Break even for these guys, some of the better operators, is around \$12.00 to \$12.50 and for the majority of them it is probably in the \$13.00 to \$14.00 range. As Jim pointed out they are working out through some long-term grain contracts. So, if you look at the futures markets these guys will be back in the black, depending on where their break even is, sometime this summer. As you know we are at June year-end so we don't think that we're going to get a lot of relief on this in the fourth quarter here, but we do think that things will start to improve in the first quarter of next year.

Stand in for Lisa Morgan - J.P. Morgan

Okay, that would be on the dairy markets, what about the beef markets?

Bill Lacey

The beef markets I will comment, Jim you jump in and help me out here, but the beef markets is a price issue where carcass is being basically priced for its hamburger value, because that is where the demand is. There is not a lot of great demand for prime cuts of beef, so based on where the demand is carcasses are getting priced for hamburger. This is more of a general economy deal than it is a

specific, because once that improves than the restaurants will start picking up the high ends and that will drive the carcass values up and get these guys making more money.

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