

# Canadian animal health market update 2022: A growing and consolidating market

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## More and more pets

We noted last year that work-from-home had led to an explosion in pet adoption in Canada. Pet ownership has continued to grow during the pandemic, with 33% of pet owners having now acquired their pet during the pandemic. Of this number, 39% of these owners did not already own a pet.

## Animal health market to continue to grow

The global animal health market is expected to continue to grow in the coming year. One market research company expects a compound annual growth rate of 3.6% for the period 2022-2027, with the global market exceeding US\$43 billion by 2027.

One significant driver of this anticipated growth is the veterinary vaccine market, which is expected to expand at a CAGR of 6.56% through to 2027. The discovery of COVID-19 in mink farms and other outbreaks have highlighted the ongoing need for more vaccines to safeguard farm stocks in the future.

## Veterinary consolidation continues

Both pets and farm animals require professional veterinary assistance and investors have noticed. Veterinary practice consolidation has continued in North America and Europe over the last year. One consulting firm estimates that between 800 and 1000 companion animal practices were purchased in the U.S. in 2021, which represents a slight increase over 2020 numbers. The same firm observed that good general practices were commonly valued at 18 to 20 times estimated EBITDA.

The most acquisitive companies in this space were IVC Evidensia and National Veterinary Associates, with the former merging with Canadian chain VetStrategy in September 2021 (Berkshire Partners had purchased a majority stake in VetStrategy in July 2020, with Osler advising the lenders on that transaction). VetStrategy owns 270 hospitals in nine provinces. IVC Evidensia went on to purchase VetOne in France and Vetminds in Estonia and Latvia. For its part, National Veterinary Associates, a client for whom Osler provides extensive commercial real estate and retail support, acquired Ethos Veterinary Health and SAGE Veterinary Health.

One factor that may slow consolidation are competition law concerns. The United Kingdom

recently moved to [block VetPartner's acquisition of Goddard Veterinary Group](#). This is the second time in the last two months that the United Kingdom has blocked an acquisition. In February, [CVS Group was prevented from acquiring Quality Pet Care](#).

## Pet insurance continues to grow in North America

The pet insurance market continued to grow over the last year. The North American Pet Health Insurance Association (NAPHIA) reported that the North American pet insurance industry surpassed [US\\$2.8 billion](#) in premiums paid in 2021, up 30.5%. In Canada, NAPHIA members reported [\\$313 million](#) in in-force gross written premiums, a 28.1% increase over the previous year.

## Shortage of veterinarians

As the global animal health market continues to expand, the demand for veterinarians, technicians and specialists will also increase. According to [MARS](#), pet healthcare service spending will increase 33% over the next 10 years and nearly 41,000 additional veterinarians will be needed to care for companion animals by 2030. MARS expects a shortage of nearly 15,000 veterinarians within this time period. It remains unclear how this expected shortage of veterinarians will impact the current trend towards veterinary practice consolidation.

## Not as many new drug submissions

Canadian veterinary drug submissions were down during the second year of the pandemic. Only 44 Canadian notices of compliance (NOCs) have been issued since late June 2021, down from 130 NOCs the previous year. Approximately 45% of NOCs issued in the last year relate to companion animals, with the balance directed at farm animals.

### New drug spotlight

Drug	Details
Dormazolam (midazolam)	On June 29, 2021, Dechra Regulatory BV received a NOC and data exclusivity for Dormazolam, which is used in combination with ketamine as an intravenous induction agent for the anaesthesia of healthy adult horses.
Solensia (Frunevetmab)	On July 27, 2021, Zoetis Canada Inc. received a NOC and data exclusivity for Solensia, which is indicated for the alleviation of pain associated with osteoarthritis in cats.
Credelio Plus (Lotilaner, Milbemycin Oxime)	In March 2022, Elanco Canada Limited received approval for Credelio Plus for use in dogs to treat ticks, fleas, roundworms and heartworm disease.
Credelio Cat (Lotilaner)	In March 2022, Elanco Canada Limited received approval for Credelio Cat for treatment of fleas and ticks in cats.
Suprelorin (Deslorelin)	In April 2022, Virbac Animal Health Inc. received approval for Suprelorin, which temporarily renders male dogs infertile.

## Regulatory update

### Draft guidance on veterinary drug labelling

In March 2022, Health Canada released new [Draft Guidance on Veterinary Drug Labelling](#), for which the period for public comments has now closed. The draft guidance sets out requirements for the inner and outer labels and package inserts of veterinary drugs that

manufacturers must submit in pre-market submissions and post-market submissions to Health Canada. The draft guidance should provide greater clarity to drug manufacturers on how to comply with the labelling and packaging requirements under the *Food and Drugs Act* and *Food and Drug Regulations*.

## Guidance on management of veterinary drug submissions

In November 2021, Health Canada released a new guidance on veterinary drug submissions. The [Veterinary Drugs – Management of Regulatory Submission Guidance](#) provides information on the Veterinary Drugs Directorate's process for managing regulatory submissions, including with respect to the following situations:

- administrative amendments to submissions under review
- unsolicited amendments to submissions under review
- withdrawal of submissions under review
- refiled submissions
- post-approval obligations, and
- access to submission-related information.

## Amendments to the *Food and Drug Regulations*

In August 2021, the Canadian *Food and Drug Regulations* (the Regulations) were amended to address shortages in therapeutic products by introducing an importation framework to promote access to drugs and medical devices in exceptional circumstances. These new regulations may also help overcome supply chain challenges and reduce the chances of a [shortage in veterinary drugs](#) in Canada.

Also, in the early days of the pandemic, the Canadian Minister of Health had adopted interim orders to provide an expedited framework for the clinical trial of COVID-19 drugs and medical devices. In February 2022, the Regulations were amended to continue and formalize these rules and allow the more flexible clinical trials pathway for COVID-19 drugs and medical devices. These rules will be available to allow the expedited approval of veterinary COVID-19 drugs.

## In the courts: veterinary drug and bovine spongiform encephalopathy class actions

In a rare Canadian case relating to the animal health industry, the Québec Superior Court had authorized in November 2020 a class proceeding against Intervet on behalf of Québec dog owners for damages suffered as a result of their dogs' treatment with BRAVECTO® (fluralaner). It was alleged that fluralaner caused various health conditions in dogs, for which the defendants allegedly failed to provide warning. Key among the issues at authorization (certification) was whether the Québec *Consumer Protection Act* applies to the sale of veterinary drugs by a veterinarian. The Superior Court had determined that it did not, based on an analogous determination made by the Québec Court of Appeal with respect to pharmacists. In late April 2022, the Québec Court of Appeal reversed, holding that the issue whether the *Consumer Protection Act* applies to the sale of veterinary drugs should proceed to trial (*Gagnon c. Intervet Canada Corp.*, 2022 QCCA 553<sup>11</sup>).

In early 2022, the Ontario Superior Court of Justice dismissed an action by farmers against

the Canadian government for negligence in failing to keep mad cow disease out of Canada starting in 2003 (*Flying E Ranche Ltd. v. Attorney General of Canada*, 2022 ONSC 60<sup>[2]</sup>). The trial judge held that the Canadian government did not owe farmers a duty of care and, if a duty of care did exist, that the federal government had not acted unreasonably or breached the standard of care of a reasonable regulator. The Superior Court also held that the action was barred by the *Crown Liability and Proceedings Act* because Canada had paid farmers close to \$2 billion in financial assistance under the *Farm Protection Act* for losses suffered as a result of the border closure.

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[1] [CanLII Gagnon c. Intervet Canada Corp.](#)

[2] [CanLII Flying E Ranche Ltd. v. Attorney General of Canada](#)