

Producers speak their piece on the Monsanto/D&PL deal

By the FARM PROGRESS COTTON TEAM

MONSANTO Co.'s acquisition of Delta and Pine Land Co. for \$1.5 billion has created considerable uneasiness in some, and a "wait and see" attitude in others.

The purchase by the St. Louis-based Monsanto of the longest running, private seed company in the world, which is based in Scott, Miss., has been the talk of the Cotton Belt from east to west and all points in between.

"Delta and Pine Land represents an excellent fit for our company as we look to bring value-added traits and high-quality seed to cotton growers around the world," notes Hugh Grant, Monsanto chairman and CEO. "Delta and Pine Land has strong cotton genetics, and we believe Monsanto's leadership in providing the best cotton traits can improve on this already strong base."

What your neighbors say

In Gunnison, Miss., Kenneth Hood, a former chairman of the National Cotton Council, has mixed feelings about the merger. "It has to cause some concern because you have a company that owns a lot of seed genomes," he says.

While expressing concern about the concentration cre-



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Key Points

- Monsanto's purchase of D&PL concerns some growers.
- Many farmers feel they must grow transgenics nowadays.
- Some leaders are optimistic the merger will be positive.



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ated from the two companies coming together, he says it could be a blessing, bringing traits and cottonseed together. "I guess you can tell, I have mixed feelings about how Monsanto and Delta and Pine Land merger is going to affect me at this particular time," he laughs.

Hood expects Monsanto to have to divest other interests in order to move the merger through regulatory approval. The acquisition requires regulatory approval, including the OK from the U.S. Department of Justice. Industry observers have cited antitrust concerns over the merger.

According to company representatives, Monsanto is likely to divest itself of Stoneville to get federal approval. Monsanto acquired Stoneville last year.

"If required, we're prepared to do so," says Ernesto Fajardo, Monsanto vice president of U.S. crop production. "It will be likely, so we are in the process of putting together a plan to divest Stoneville."

Tennessee producer Jimmy Hargett says the merger scares

him. "It scares me that we could have \$750-a-bag cottonseed. How much more expense can we absorb and stay in business?" he asks.

Concerned about cost

In Texas and elsewhere, growers say the merger must be a "good fit" for them, too.

"I won't say Monsanto is doing anything favorable in getting a good relation back with the cotton farmer; I just don't see it," says Jeff Posey, who farms 4,500 acres of cotton with his family in Roby, Texas.

Posey says they've already been stretched to the limit with energy costs. They buy the highest-quality cottonseed, but he says there are limits on what a grower can pay for transgenic varieties.

Matt Mueller, 33, a progressive Stamford, Texas, grower, farms 3,800 acres of cotton in transgenic varieties.

"Fully one-third of my expense this year was for the cottonseed and technology fee," Mueller explains, "so we're stretched. As dryland growers, we can't stand anymore [fee increases]."

In fairness, he acknowledges the transgenics, along with the success of the Boll Weevil Eradication Program, have helped him make a string of outstanding cotton crops in recent years. However, Mueller still doesn't like thinking Monsanto has a stronger monopoly on the seed market. "They already had a pretty good hold on the market," he laments. "I guess it's their game now."

Posey agrees. "They can now say: 'We've got the transgenics. Take it or leave it.'"

Randall Bankhead, a large Roscoe, Texas, cotton producer, says he had heard rumors that D&PL was on the

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market, "but I'm still shocked. I don't see how it could be good for the farmer."

The grower has given presentations on his no-till cotton production, including to fellow producers at Beltwide Cotton Conferences. Bankhead notes he's committed to no-till now. "I couldn't go back to conventional farming today," he adds.

Bankhead observes that many farmers had built strong relations with D&PL. Monsanto will have to seek the same, he says. He hopes D&PL field staff stay in place.

Steven Chapman, a Lorenzo, Texas, grower has for years hosted hundreds of farmers to annual D&PL field days on the his family's farm just northeast of Lubbock. He built a strong relation with D&PL and agrees with Bankhead that relationships are important.

"I just can't see it now as a good thing, and I've talked with several growers who feel the same way," Chapman allows. "There's very little or no competition with transgenic varieties. And growers with sky-high fuel prices just aren't going back to growing cotton conventionally."

Could speed things up

Darrell Cross of Cross Farms at Ovalo, Texas, is more optimistic than some growers.

"I feel the Monsanto and Delta and Pine Land deal actually could speed up technological advances," Cross says. "Basically, Monsanto has got the technology that works."

Cross says he feels the purchase could maybe get improved traits into seed and new varieties on the market one or two years sooner. "Also, a drought-tolerant gene," he adds. "We certainly need that."

He doesn't fear Monsanto will have much more control than the company already has, anyway.

"The bottom line: I think it will advance cotton technology more quickly," he concludes.

Farm Progress editors J.T. Smith, Richard Davis and Cecil Yancy contributed to this report.

Merger faces antitrust fight

By PAM GOLDEN

WHEN the Justice Department sits down to decide whether Monsanto Co.'s proposed purchase of Delta and Pine Land Co. violates federal antitrust law, the legal issue is whether the level of market concentration after the acquisition exceeds the government's merger guidelines.

The mitigating factor is that the political climate is such that mergers are more likely to be looked on favorably, regardless of those guidelines, says Jim Ponsoldt, a law professor at the University of Georgia who specializes in antitrust cases.

"The legal — the technical legal response — is that this acquisition, based upon market shares you provided [Farm Progress statistics], would almost definitely have violated the Clayton antitrust act as historically applied," Ponsoldt says, following a brief rundown of market share percentages and an overview of the history of the case.

"The question is: Has the market changed so much that there's enough competition — or still would be — after the merger?"

What's different today versus eight years ago when such a merger first was proposed is that similar mergers have been approved by the Justice Department in other industries, Ponsoldt says.

"It's ultimately a political decision. The government has been allowing potentially anticompetitive mergers and consolidations to occur," he says. "Antitrust is the means to police the free market. The government simply hasn't been doing its job in policing the market."

Impact uncertain

The impact of the merger on growers is debatable.

"By buying D&PL, Monsanto will acquire one of only two other genetic biotech alternatives to Monsanto's line. That's a huge problem for growers," says Steve Ford, Alabama ag economist. "I think we'll see less choice among technology packages."

Auburn Extension economist Bob Goodman, however, sees more competition in the seed market today than eight years ago and he's less concerned about the market concentration such a merger would give Monsanto.

"Delta Pine certainly still is the industry leader, but there are some other companies with good varieties out there," Goodman says. "Bottom line: There is competition. There is viable competition. And the viable competition is really starting to come on well."

Industry leaders optimistic about the merger

LEGENDARY cotton economics and marketing expert Carl Anderson of Texas A&M is taking a positive outlook on the Monsanto/Delta and Pine Land deal.

"On the positive side, it will allow Monsanto and Delta and Pine Land to really pool their resources to maintain and improve the yield and quality of cotton," Anderson says. "Of course, that comes with a price — the technology fee plus the seed cost."

An upside is farmers using far fewer chemicals to help balance that out, he notes. "There are two basics: increase yields/quality and also produce cotton efficiently," the veteran cotton specialist reflects. The Boll Weevil Eradication Program was one reason Texas made back-to-back record cotton crops in the 2004 and 2005 crop years, but — without a doubt — transgenic varieties were another reason, he notes.

Anderson says growers must have high yields and top quality to compete in the world cotton market. That means having top varieties, as well as good land to grow cotton.

"As more farmland is devoted to biofuels in the future, this will be very important," Anderson assures, "especially in our ability to compete with foreign growers."

At Cotton Incorporated, Roy Cantrell, vice president of agricultural research, says the combined companies should put technology on a fast track into varieties.

"I think having the two in a single company will allow the process to develop faster," Cantrell says. "This will streamline the process ... and probably give growers more choices for their favorite variety with the new technology in it."