

Monsanto dishes out D&PL

By PAM GOLDEN

TECHNOLOGICAL opportunities once closed to cottonseed companies who used Monsanto Co.'s trait licenses have opened slightly as part of a deal struck with the U.S. Department of Justice.

The DOJ on May 31 signed off on a divestiture agreement that allows Monsanto to buy Delta & Pine Land Co., provided it sells Stoneville Pedigreed Seed Co. and NexGen, as well as releases breeding lines now held by D&PL.

The means? Bayer CropScience buys Stoneville Pedigreed Seed Co. and a batch of D&PL germplasm. Americot Inc. buys NexGen and a germplasm base held by D&PL that was once owned by Syngenta. Syngenta holds onto its VIP technology trait. Dupont holds onto the GAT technology trait. Monsanto agrees to allow third-party traits stacked on Bollgard and/or Roundup Ready.

The end? Monsanto finally bought D&PL — the day after the DOJ deal and the agreements with Bayer and Americot were announced. The \$1.5 bil-

Key Points

- Department of Justice approves Monsanto's plan to purchase D&PL.
- Bayer CropScience will buy Stoneville Pedigreed Seed Co., D&PL germplasm.
- Americot Inc. will buy NexGen and D&PL-held Syngenta breeding lines.

lion deal closed June 1. Until the deals with Bayer and Americot are finalized, Monsanto will operate D&PL separately, another DOJ requirement.

Bayer buys into synergy

The synergy between the FiberMax and Stoneville cotton varieties was clear to industry leaders, so the plan for Bayer to buy Stoneville was an obvious guess for many when Monsanto announced Stoneville was for sale.

Both companies are well-known for the fiber packages in their varieties. FiberMax and Stoneville are strong in Texas; Stoneville makes its home in Mississippi, giving it a Mid-South banner; and both companies are making inroads in the Southeast.

Monty Christian, director of marketing for FiberMax Cottonseed, recognizes that this purchase is a logical step for Bayer.

"It does give us an immediate reach into the Mid-South and Southeast," Christian says. "Historically, the brand is well-known. It has a rich heritage throughout the Mid-South. We will continue to plan to have the Stoneville brand name out there with Stoneville genetics in it."

Americot becomes major player

Bayer's purchase was an obvious synergy for their FiberMax line; Americot surprised cotton industry leaders.

That element of the announcement wasn't lost on Americot General Manager Terry Campbell.

"I think we were the best-kept secret in this whole deal," Campbell says. "NexGen is a Southwest cotton, traditionally. Folks just assumed that one of the big names like Dow, DuPont or one of those would get NexGen. They never suspected a little company like ours."

But Americot no longer is a little company. With the purchase, it becomes the third largest cottonseed supplier in the

country. In its pipeline, Americot now has its own breeding program, NexGen's lines and Syngenta's germplasm.

"So we're basically 1,000 times larger than what we were at 12 o'clock [on the day of the announcement]," Campbell says. "We now have one of the largest germplasm bases available to which we can access the latest and best biotechnology traits from across the world to benefit U.S. growers. Americot has the freedom to stack third-party technology traits with Monsanto traits in future varieties."

What does this mean for growers?

"From a seed supplier aspect, I have more flexibility today than I did before," Campbell says. He's particularly excited by the opportunity to stack other traits with Monsanto-licensed technology.

Christian points out the Stoneville purchase preserves the brand. "For growers in the Southeast, there's still the opportunity for the Stoneville brand to be available," he says. Overall, he adds, the additional germplasm exponentially expands Bayer's development and research opportunities.

"It brings more critical mass," Christian says. "By having more critical mass, it makes it easier for us to bring more resources to promote development."

Campbell also points to opportunities with the Syngenta germplasm, conventional lines that show great promise.

"Some of those lines have outyielded Delta & Pine Land's Triple Nickel," he says, alluding to the Southeast's most planted variety, DP 555 BGRR.

New varieties won't suddenly pop up in 2008 as a result of the acquisition, Campbell notes. However, he says, "I think in the next five years, growers will start to see the benefit of what's taking place here."

Is the Southeast left out?

With NexGen, Stoneville and FiberMax largely known for their Texas and Mid-South varieties, some growers in the Southeast don't expect a lot to change, despite release of the D&PL breeding lines.



MONTY CHRISTIAN



TERRY CAMPBELL

Americot's reach expands further

AMERICOT Inc. further stretches its reach in the Southwest with a marketing agreement with H&W GeneTex L.C., announced in June.

"Americot Inc. has signed a marketing agreement with H&W GeneTex L.C. to market 13 Roundup Ready Flex varieties," according to Americot General Manager Terry Campbell. "This marketing agreement once again expresses Americot's desire to supply cotton farmers more choices in planting seed. Americot is evaluating these 13 lines this season and will market several of them in 2008."

GeneTex is a Lamb County, Texas, company that a farmer and a crop consultant launched in 1992. The company focuses on Valencia peanut varieties and cottonseed.

GeneTex co-owner Don Harper, a Lubbock farmer, started his career by studying agronomy and plant science at Texas Tech before returning to the family farm. Norman Wilson, the other co-owner, has a doctorate in plant breeding and genetics from Oklahoma State University.

Monsanto's Andrew Burchett, however, sees new opportunities for Bayer and Americot. He notes that one of the lines released to Bayer is Delta Pearl, a background variety to DP 555.

"There's definitely the potential there for Stoneville, as proposed, to compete in the Southeast," Burchett says. "Quite

frankly, this agreement gives other companies the opportunity to invest in cottonseed."

Americot already started moving its lines east.

"Our intention is to offer cotton from the Southwest — from Arizona — to Virginia," Campbell says. "We don't have any intention to grow pima. We're sticking with upland cotton."

Americot has varieties in 2007 tests in northern Mississippi, North Carolina, south Georgia, northeast Arkansas and western Tennessee.

For its part, Monsanto is working on drought-tolerant and dicamba-tolerant genes, as well as developing traits to address glyphosate tolerance in weeds, Burchett says.

"We believe this will give us an opportunity to invest in a bigger way in cotton," Burchett says. "It's up to us to deliver on them."

Cotton industry ties go way back

ONE interesting note in the cotton industry's tangled web is that the multipronged agreement that will culminate Monsanto Co.'s deal to buy Delta & Pine Land Co. brings together the companies that launched the country's first biotech cotton, BXN.

Though it's a bit like referring to your second cousin's aunt's uncle, here are the steps back to BXN:

Bayer, which will own Stoneville Pedigreed Seed Co. when the deal is done, bought Aventis in 2002. Aventis was created when Rhone-Poulenc merged with AgrEvo in 1999.

Rhone-Poulenc pulled a patent for BXN in 1989. BXN cotton then was developed and sold by Calgene Inc. in 1995 through — you guessed it — Stoneville, then Calgene's seed subsidiary.

Emergent Genetics Inc., the company that bought Stoneville the last time Monsanto tried to buy D&PL, stopped selling BXN varieties in 2004.

THEY SAID IT



JOHN HARRELL

South Georgia cotton grower John Harrell still feels Monsanto Co.'s grip — despite news of the divestitures.

"They've just got us by the tail. Our options are so limited now. This year the bag cost more and then the technology fee on top of that. And in Georgia we pay more than the rest of the states around us for the technology fee," Harrell says.

"The track record with Monsanto, in my opinion, hasn't been that great. They haven't been as farmer-friendly as I think they need to be," he adds.

Georgia farmers may be more concerned about Monsanto buying Delta & Pine Land Co. than growers in other areas because they grow DP 555 BGRR almost exclusively. "Until they came out with 555, it looked like our cotton yields were going down. That was our savior, and their's, too," Harrell says. "There's no other variety that will grow in our area as good as that. We're down to one variety from one company."



STEVE FORD

North Alabama cotton grower Steve Ford sees the cottonseed market narrowed to two companies. "In the Southeast in 2006, D&PL had a market share of over 86%, while Stoneville and FiberMax combined for over 11%. The two competitors together account for almost 98% of the Southeast cotton planted. Nationally, the situation is little better. D&PL has over a 50% share, and the new FiberMax/Stoneville product line has a 39% share," Ford says. "This deal also ignores regional differences. If Monsanto prices cottonseed like it does technology, regional varieties will be value-priced. That will be a huge problem for the Southeast."

"My only hope from this restructuring is that Bayer's acquisition of Stoneville will give it enough market muscle to go up against Monsanto, a company that has developed a reputation for using every bit of market power it can in order to quash competitors and extract value from farmers. Competition in this market will be good for farmers. The lack of competition will be bad."