

## TITLE: How big is BIG? Putting the Seed Business in Perspective

By Robynne M. Anderson

How many companies does it take to make a seed industry? Fewer than it used to it seems. What's the right size in the seed business?

The sheer scale of Alberta makes it easy to forget that the province is but a small piece of the seed business. Some global figures will help put the seed business in a bit of perspective.

It is an expensive to develop seed, particularly to work on trait development. If it takes at least US\$200 million a year to invest in trait research and about US\$100 million to manage the regulatory portfolio for that trait; and R&D is usually about 10% of a company's net revenue, it doesn't take long to calculate the scale of the business needed to support trait development.

The four biggest seed companies are: Monsanto, DuPont/Pioneer, Syngenta, and Limagrain. Six major companies in the global seed industry between them control about 50% of seed sales world wide. The annual sales figures for all of these companies, put the business in some perspective.

### **The World's Top 3 Seed Companies – 2006**

Company seed sales (estimates)

USD millions

- |                                  |         |
|----------------------------------|---------|
| 1. <b>Monsanto</b> (US)          | \$3,211 |
| 2. <b>Pioneer/Dupont</b> (US)    | \$2,474 |
| 3. <b>Syngenta</b> (Switzerland) | \$1,569 |

Groupe Limagrain from France is the fourth largest seed company globally. Dupont's Pioneer Hi-Bred lost its longstanding title as world's largest seed company in early 2005 when Monsanto purchased Seminis. .

Among these, large players there are still bigger fish. BASF has stakes in various seed businesses including SW Seed and DNA Landmarks and its own imi-tolerant traits, as well as its recent partnership with Monsanto. However, most commentators agree BASF remains the agro-chemical company that is the biggest wild card in the seed business. They have sat back and watched a lot of consolidation and investment activity and appear to have selected a path of strategic partnerships. However, due to the diverse nature of their chemical business they have the resources to add greatly to their seed portfolio. The company's total sales were US\$73 billion last year compared to US\$7 billion for Monsanto.

Other growing players in the seed business are likely to come from China and India. Recently Monsanto publicly noted that the next wave of competition in the seed sector is likely to be from those two countries. Both have very strong information technology

sectors, huge growing markets, a need for food security, and a strong political will to invest in agricultural productivity. It may be time to look across the Pacific for the new giants in the seed sector.

Here are some approximate estimates of the size of annual sales (seed and other sales) needed currently to have critical mass in sectors of the seed business in the US. These estimates represent an amalgamation of opinion from leaders across that country:

Trait Providers	\$ 3 billion
Global Breeders	\$700 million
Regional Breeders	\$ 40 million
Distributors	\$ 18 million
Regional Retailer (multi-outlet)	\$ 10 million

We are still assembling our best estimates of the Canadian equivalents, but other than in distribution and retailing, most are expected to be less than one-tenth of the American figures. In retail and distribution, the critical mass is estimated at two-thirds of the US figures.

Before the consolidation factor seems to daunting, consider the observations of Bill Latham of Latham Seeds: “It’s like a boiling kettle. We see the companies coming off the top and evaporating, so we think everyone is going that way. However, at the bottom, there are new entrepreneurs bubbling away.”

There is a new injection of cash in the seed business. Sales are up. New investors from outside agriculture are buying stocks and commodities. Biofuels are the rage, and global grain reserves are at long term lows. What will seed businesses do with the extra cash? Well, some of the big guys are likely going to try and get bigger.