WHAT IS MONSANTO UP TO NOW? GOOD QUESTION!

analysis by Brewster Kneen, July 5, 1998

Pentagon, Prowl, Pursuit, Sceptre, Squadron, Steel, Raptor, Cadre, Lightening, Avenge... these are some of Cyanamid's herbicides. Cyanamid is a division of American Home Products (AHP) that just merged with (i.e., bought) Monsanto. Monsanto then purchased the global seeds business of Cargill (except for Canada and the US) for $1.4 billion.

The announcement in May that Monsanto and Cargill would form a worldwide 50/50 joint venture to create and market new grain processing and animal feed products "enhanced through biotechnology" came as something of a surprise, given the radically different corporate cultures of the two companies. Cargill has, for more than 150 years, taken the long view, made strategic decisions not on the basis of a quick return to shareholders but what would build the corporation over years, and held its corporate tongue. Cargill has also withdrawn from businesses, either when it becomes apparent that they will not make an adequate long-term contribution to the company, or when it is clear that Cargill does not really have the expertise to operate them successfully. Monsanto, on the other hand, seems to take the same approach everywhere as it does in genetic engineering, engaging in very aggressive behaviour to force others, from organisms to government regulatory agencies, to accept its interpretations of reality.

The Cargill-Monsanto joint venture does contain its own inner logic, however: Cargill is expert at designing and controlling macro-structures, like trade agreements, aid programs and transportation systems; Monsanto is expert at designing and controlling structures at the micro level of 'genetics'.

The 'merger' of Monsanto into American Home Products (AHP) announced on June 1st was quite unexpected, but again, closer examination reveals an inner logic. Bob Shapiro of Monsanto insists it is a "merger of equals", but with AHP having sales of $14.2 billion and Monsanto at $7.5, it looks a wee bit more like a buyout. American Home Products will control 65 percent of the new company's stock at a cost of $34.4 billion. ($1.4 has already been spent on the Cargill deal!

A look at AHP's website (www.ahp.com) told me a lot about what it is. What looked initially like a really weird combination turns out to be considerably more natural than the Cargill-Monsanto alliance. The first clue was the fact that AHP bought American Cyanamid in mid-1994 for $9.7 billion, so the AHP-Monsanto merger will unite Monsanto's Roundup, the world's biggest selling herbicide, with the agrotoxins manufactured by AHP's Cyanamid division. This will make the new company the largest manufacturer of agrotoxins in the world with combined herbicide sales of $5.24 billion, surpassing even Novartis.

The combined company will also be the top seller of prescription drugs in the U.S., bringing together AHP's Wyeth-Ayerst division and Monsanto's Searle division. Both have significant interests in "womens' health" drugs.
My guess is that Monsanto had pushed its luck -- and credit -- about as far as it could, and that it needed deeper pockets to capitalize on the acquisitions and alliances it has made in the past three years. AHP can provide that, and may well have a corporate culture much more like that of Monsanto than of Cargill.

The announcement on June 29 that Monsanto would buy Cargill's international seed operations in Central and Latin America, Europe, Asia and Africa (everywhere except Canada and the U.S.) for $1.4 billion was unexpected, but again, makes some sense when adequately analyzed. The acquisition includes seed research, production and testing facilities in 24 countries and sales and distribution operations in 51 countries. (Cargill Agricultural Merchants in the United Kingdom is also excluded from the deal.)

Cargill has specialized in the development and marketing of corn, sunflower and rapeseed seeds, and describes itself as "a leading global producer of tropical corn seed and germplasm with significant sales in the Central and Latin American, Asian and African markets. It has a leading position in oilseeds globally and is one of the few seed companies with a long-standing presence in Asia and Central and Latin America."

Cargill's recent investments and acquisitions have been largely in the area of bulk (including identity- preserved) grains and oilseeds and fertilizer transportation, processing and distribution, not in seeds. (Cargill is also a major phosphate fertilizer producer.)

For example, a year ago Cargill announced construction of "the largest, most modern and most efficient fertilizer port on the upper Parana River" adjacent to its large oilseed processing complex at Puerto General San Martin, Argentina.

In India, Cargill, along with local partners, has recently developed an anchorage-lighterage facility capable of discharging and loading Panamax vessels at the port of Rozy in the Gulf of Kutch along the northwest coast of India. Cargill will utilize the facility to import fertilizer and wheat as well as to export protein meal and other products. (This is Cargill's second effort to establish a port facility in the area. In 1993 it was chased out of Kandla Port, at the head of the Gulf of Kutch, by a combination of the military, small scale salt-producers, and peasants.)

In the Philippines, Cargill is constructing two feed mills to produce "a wide range of world class livestock feed products and services tailored to meet the requirements of local Filipino livestock producers".

A typically-brief press release from Cargill gave further indication of the company's historical and current interests: J. Norwell Coquillard was appointed regional president of Cargill's business operations in China, Taiwan and Hong Kong. Coquillard is to also remain the regional head of Cargill's South Korean businesses. He will be based in Shanghai, China.
According to the press release (www.cargill.com), "Cargill entered Taiwan in 1971 with an animal feed business, Hong Kong in 1984 with grain and protein trading and China in 1988 with an oilseeds crushing plant. Currently, Cargill is involved in trading, fertilizer, malt, soybean processing, animal feed and other businesses in those three areas.

"Cargill first entered Japan in 1956 in the grain trading business. Now the company is engaged in agricultural, financial and industrial trading and operates a juice blending plant in Kashima."

(Details of these activities can be found in Brewster Kneen, Invisible Giant: Cargill and its Transnational Strategies, Pluto, 1995)

So we come back to the purchase of Cargill's global seeds business by Monsanto, but by now it is obvious that Cargill has been sensibly -- and conservatively -- investing in its traditional areas of expertise, bulk commodity facilities, processing and transport, not in biotechnology and seeds.

Monsanto and Cargill might have formed a joint seeds venture, but given the radical differences in their corporate cultures and business strategies, it is hard to see how they could work together amicably. At the same time, Monsanto has certainly gained the upper hand in the global seeds business. Therefore it makes sense for Monsanto to concentrate on what it likes to refer to as 'genomics' and 'information', i.e., genetically engineered seeds, while Cargill supplies inputs and trades and processes the crops.

This way Cargill gets $1.4 billion to invest in port and processing facilities without the aggravation of dealing with the likes of irate Indian farmers. Monsanto, on the other hand, can supply the subsistence farmers of Bangladesh with Cargill sorghum and sunflower seeds utilizing Grameen Bank credit while it works on transgenic rice. The real bonus for Monsanto, however, is likely to lie in the Cargill presence in China. Think of the Roundup sales! Cargill can get on with handling, and profiting from, practically every commodity in the global food system, including the crops produced from Monsanto seeds.

Monsanto Acquisitions:

1995: - Kelco, Merck's specialty chemicals division, for $1.06 billion - women's health care assets of the former Syntex Corp from Roche for $240 million

1996: - biotechnology assets of Agracetus from WR Grace for $150 m - 49.9% of Calgene - equity position in DeKalb, $340 m - controlling interest in Calgene

1997: - remainder of Calgene, $267 m - Asgrow Agronomics, from Seminis, $240 m - Holdens Foundation Seeds, $1.00 b - various small acquisitions, $200 m - controlling interest, Agroceres, $750 m
1998 - partnership with Cargill - remainder of DeKalb and, - Delta & Pine Land, combined, $4.40 b - 50/50 partnership with Mahyco, India ** merger with AHP announced ** - purchase of Cargill Seeds (except Canada & U.S), $1.4 billion