

December 11, 2006

TRACKING THE NUMBERS

Street Sleuth

Foes of Monsanto Deal Dig In

Unusual Backlash Germinates Within Crop-Biotech Industry To Proposed Delta & Pine Union

By SCOTT KILMAN
December 11, 2006

Monsanto Co.'s second attempt in seven years to bring southern seed giant **Delta & Pine Land Co.** to the altar could be running into trouble.

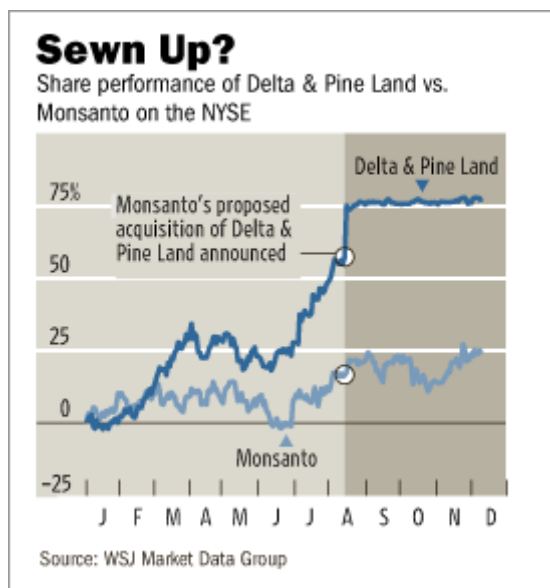
An unusual backlash against the proposed combination is taking root across the U.S. Farm Belt, driven in part by rivals in the crop-biotechnology industry, which **Monsanto** dominates.

The proposed \$1.5 billion deal announced in August would give Monsanto more control over a major crop by a biotechnology company than ever before allowed, a prospect that upsets antibiotechnology activists. Delta & Pine Land's seeds produce half of America's cotton, the nation's fifth-biggest crop. Delta's market share is highest in southern states such as Georgia, where 92% of the cotton is grown from Delta seed.

DOW JONES REPRINTS

◀R This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- See a sample reprint in PDF format.
- Order a reprint of this article now.



Wall Street is treating the acquisition as a done deal. Delta & Pine Land stock has hovered just under the \$42-a-share offer since Aug. 15, when it jumped 11% on news of the agreement. The shares were at \$40.64, down 24 cents, Friday in 4 p.m. New York Stock Exchange composite trading. Monsanto shares fell 43 cents to \$48.08 Friday on the Big Board. Monsanto is trading at more than 25 times estimated earnings for its next fiscal year, according to Thomson Financial, compared with about 16 for the stocks in the Standard & Poor's 500-stock index.

Analysts have applauded the proposed combination because it would allow Monsanto to speed penetration of the cottonseed market with new genetically modified traits while ending several years of costly litigation between the two firms over their

first breakup. Some biotech-industry leaders are prodding the attorneys general of several states to look into the combination as an antitrust review by the Justice Department extends into its fourth

month. "The proposed Monsanto acquisition of Delta & Pine Land is clearly anticompetitive," said Doyle Karr, a spokesman for **DuPont** Co., the Wilmington, Del., chemicals giant. "We have serious concerns about the impact that it would have on farmers, the agriculture industry and ultimately consumers."

Syngenta AG, the Swiss biotech company, is telling cotton farmers that Monsanto's pending acquisition isn't in their best interest. Lobbyist and former U.S. Sen. Tim Hutchinson of Arkansas is squiring DuPont executives around Congress to press their case against the deal. "There are enough indications of concern that should cause [the Justice Department] to take a careful look," said Rep. Bob Inglis, a South Carolina Republican. Representatives for the North Carolina and Iowa attorneys general said their offices were looking into the deal. Iowa is the home of DuPont's Pioneer Hi-Bred International seed unit. While crop-biotechnology companies have a history of battling in courtrooms, they have tried to present a united front in the face questions over biotechnology safety.

"We are disappointed that competitors are using extreme tactics to try to gin up opposition to a deal that would benefit U.S. cotton growers and the cotton industry," said Carl M. Casale, executive vice president of Monsanto, which is fielding questions about the merger from officials in such noncotton states as Maine and Wisconsin. "The regulators should be allowed to do their job and review this transaction without the background noise," he said.

Delta & Pine Land Chief Executive and President Tom Jagodinski didn't return phone calls seeking comment.

For Delta shareholders, the industry scrape is the latest chapter in what has been an ill-starred romance between the Scott, Miss., company and Monsanto, based in St. Louis. Monsanto offered to buy Delta in 1998 for stock then valued at \$1.8 billion. Monsanto backed out in December 1999 after antitrust regulators in the Clinton administration's Justice Department had reviewed the case for 19 months without making a decision. To get executives of Delta & Pine Land to shelve a lawsuit seeking \$2 billion in damages over the breakup and consider a new offer, Monsanto promised to hand over \$600 million if the new deal doesn't pass antitrust review by August 2007, a deadline that can be extended.

The opposition of DuPont and other firms reflects Delta's role in their plans to challenge Monsanto's decade-long dominance of crop biotechnology. Monsanto owns brands that sell about 25% of the seed used to grow the two biggest U.S. crops -- corn and soybeans -- and has licensed independent seed companies to use its genes.

Today, the majority of genetically modified crops -- including corn, soybeans and cotton -- contain Monsanto genes, which equip plants to make their own insecticide and to tolerate exposure to weedkillers. Such traits make plants so much easier to tend that farmers are willing to pay far more for genetically modified seed than conventional seed. DuPont and others are developing new genes with the aim of replacing Monsanto technology over the next decade. To win, they need to get their inventions into as many bags of seed as possible. DuPont and Syngenta, which own their own brands of corn and soybean seed, don't control any cottonseed. Delta, the last publicly traded pure seed company in the U.S., had been making moves to break its dependence on Monsanto genes.

In July -- a month before the proposed acquisition was announced -- Delta struck a deal to use genes, under development at DuPont's Pioneer seeds unit, designed to give plants the same sort of

immunity to weedkillers as Monsanto genes. Likewise, Syngenta had licensed Delta to use genes it is developing that instruct a plant how to make its own bugkiller. To make the deal more palatable to regulators, Monsanto is promising to divest its Stoneville cottonseed business, which controls 12% of the market. Monsanto executives said they would be interested in being able to offer Syngenta and DuPont genes in Delta & Pine Land cottonseed. They stopped short of promising to use competitors' genes.

Write to Scott Kilman at scott.kilman@wsj.com¹

URL for this article:

<http://online.wsj.com/article/SB116579960468646062.html>

Hyperlinks in this Article:

(1) <mailto:scott.kilman@wsj.com>

Copyright 2007 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

RELATED ARTICLES AND BLOGS

Related Articles from the Online Journal

- [New Delta Chief? Up in the Air](#)
- [Monsanto Files Damage Claim](#)
- [Oracle Upgrade Is Giving Pause](#)
- [Qatari Fund Enters Talks To Buy U.K. Retailer J Sainsbury](#)

More related content

Powered by Sphere 