



Syngenta blossoms with its farm-to-fork model

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News analysis

Swiss agrochemical group aims for 8% annual growth, write **Louise Lucas** and **James Shotter**

The name may trip off the tongue a little less easily, but Switzerland-based Syngenta is the Apple of the agrochemical world. By selling seeds, pesticides, fertilisers and advisory services it keeps farmers from their first purchase right through to – and beyond – harvesting.

Its pivotal role in agriculture – seen by some analysts as one of the world's biggest growth industries thanks to a growing population demanding a richer diet – has won over investors. Shares in the company, which has a market capitalisation of \$38bn, are up 36.5 per cent in the year to date, comfortably beating broader equity markets, and 27 of the 31 analysts following the stock have buy or hold recommendations, according to Bloomberg.

Naturally, having fingers in every part of the pie wins enemies as well as friends. Thus while Brazilian coffee farmers enthuse over its online Nucofee system, which links growers with roasters, UK countryside-lovers believe its chemicals are killing off bees. Syngenta, at a parliamentary hearing in November, denied the allegations.

But that has done nothing to dampen Syngenta's goals. In September, the company said it expected \$25bn in annual sales from its eight key crops by 2020 – an increase of \$3bn from earlier estimates.

This implies compound annual growth in excess of 8 per cent from 2011 to 2020. "Over time the challenge

for the world is going to be to see if we can make a bigger grain pile on a smaller farm," says Michael Mack, chief executive.

Syngenta's pitch is simple: the problem on farms is not only insufficient yields but also a looming labour shortage as sons and daughters of farmers migrate to the cities in search of better paid and less back-breaking work.

Promising bigger bounties for fewer work-hours in the field means more custom for Syngenta, creating the sort of virtuous circle companies involved in the farm-to-fork cycle like to tout.

"Getting from here to there requires more research and development and I think R&D is going to have a payback," Mr Mack says.

Beyond advanced seeds and equipment, Syngenta is pushing the services side of its business. Farmers need not buy any physical inputs – such as seeds or fertiliser – from Syngenta to use Nucofee. A willingness to part with 5 per cent of their revenues to the agrochemical group will suffice.

In return they receive support and information (including maps of neighbouring plantations showing how, for example, planting trees a little higher can increase yields) as well as links to co-operatives and roasters.

Some 1,500 coffee producers have bought into the programme, which Daniel Friedlander, who switched from marketing software to marketing the scheme, dubs "probably one of the cheapest costs a farmer has to manage his crops".

But this virtuous circle is not without challenges, as Patrick Rafaisz, analyst at Vontobel, points out. "2020 is a long way off, and one has to recognise that so far, Syngenta hasn't yet managed to achieve the annual 0.5 per cent gains in market

share on which achieving its targets depends," he says.

Thomas Gilbert, head of European chemicals research at UBS, says that dreaming up innovative marketing strategies such as Syngenta's makes sense. Yet the company's strategy is better suited to emerging than developed markets, he says.

"This sort of strategy can well work in markets where you can still influence the supply chain. In emerging markets, distribution is much more in its infancy and therefore fragmented, so you have a chance to shape the industry to your advantage.

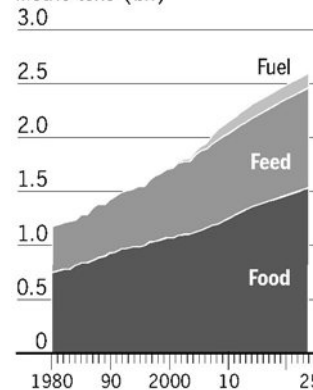
"But in developed markets, the distribution network is very consolidated, and suppliers know exactly what they want, and are less likely to be receptive to new product combinations," he says. Developed markets still account for half of Syngenta's sales.

Mr Gilbert adds that the strategy's merits will not be clear until it has been tested against a background of low crop prices.

"What Syngenta is effectively selling – by bundling together seeds, crop protection and tailored advice for best farm practices – is a luxury product for the grower."

Global grain demand*

Metric tons (bn)



* Corn, soybean, wheat and rice
Source: Syngenta