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## Monsanto, Delta & Pine will try again

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This sounds like old news, but it's not: Monsanto Co. has agreed to buy the nation's leading cottonseed firm, Delta & Pine Land Co., for more than \$1 billion.

The companies announced their second-time engagement Tuesday -- Monsanto, based in Creve Coeur, will buy D&PL of Scott, Miss., for \$1.5 billion in cash, pending shareholder and regulatory approval.

In 1998, the companies had said they would wed in a stock deal valued at about \$1.9 billion, but Monsanto called it quits after more than a year of negotiations with the Justice Department over antitrust concerns.

Much wrath ensued, with the companies trading lawsuits and demands for arbitration in technology licensing deals.

Most notably, D&PL sued Monsanto for \$2 billion in a Mississippi state court, claiming Monsanto intentionally delayed consummation and failed to put the same effort into making it happen as it did in other seed-company deals. That case was pending, with a key hearing set to begin Tuesday, but it is on hold and will be dismissed if the companies do indeed merge. Other disputes also will be set aside.

Both parties -- and U.S. agriculture -- have changed a lot in eight years. But one thing is constant: Monsanto and D&PL need each other.

Monsanto is the world's leading biotech seed company, with the genetic traits for disease resistance and herbicide tolerance most desired by most U.S. farmers and a growing number abroad. D&PL, with 50 percent of the U.S. cottonseed market and a small but growing presence in emerging markets abroad, has the array of seeds that farmers want to plant -- if they contain Monsanto's technology.

About 90 percent of seeds sold by D&PL contain a Monsanto trait, for which Monsanto receives licensing payments and technology fees. But the biotech giant is rolling out a second generation of genetic traits for cotton -- and it wants to directly reach as many acres as it can, as quickly as possible, said Chairman and Chief Executive Hugh Grant in a conference call with analysts. Buying D&PL gives it that reach.

"It's admittedly a transaction with some history and, hence, some complexity," he said. "We've been down this path before. We're not naive to the history between the parties, but we're both genuinely committed to make our business relationship work, so that farmers everywhere benefit."

Shareholders in both companies also stand to gain. On Tuesday, D&PL shares gained 11 percent to close at \$40.34. Monsanto's stock rose 39 cents to close at \$45.56.

Monsanto said it will pay \$42 for each D&PL share, financing the purchase with cash on hand and a debt offering. The acquired company will contribute to operating cash in the first year after closing and add to earnings per share a year later.

Monsanto expects cost-synergy savings of "north of \$20 million annually," mostly from eliminating the cost of running two public companies, cutting corporate overhead and not having to pay legal fees related to their disputes, said Chief Financial Officer Terry Crews. D&PL said it has spent more than \$50 million on legal fees following the firms' falling out.

This time, it was a whirlwind romance. The companies said they met on Thursday in New York, worked through the weekend and wrapped up at 7:30 a.m. Tuesday.

"Things started to unfold once everybody sat down in a room and put the animosity outside the door for a little while," said D&PL President and Chief Executive Tom Jagodinski. The companies know each other well, so there was no

need to swap histories or share business basics, he said.

One party is likely to be left out: the U.S. cottonseed business that had been Emergent Genetics Inc., a D&PL competitor bought by Monsanto for \$300 million in February 2005. Monsanto said it is prepared to divest the unit -- which sells Stoneville and NexGen brands -- to alleviate antitrust concerns over its D&PL buy.

It is a familiar refrain. Monsanto previously had owned Stoneville, but sold it to make way for D&PL in their first attempted merger.

Grant said the cotton marketplace has changed in ways that should alleviate other concerns the Justice Department had in the proposed 1998 D&PL deal: D&PL's U.S. market share has dropped to about 50 percent from nearly 80 percent. More brands have entered the U.S. market. Biotech crops then were new and untested, but Monsanto has since shown it can own brands and also license technology to independent companies.

Monsanto and D&PL have laid out a range of penalties, ranging from no-cost to a \$600 million payment by Monsanto, in case the deal should again fall through -- but both CEOs deemed that eventuality highly unlikely.

Grant said the acquisition has the added benefit of doing away with lawsuits and disputes between Monsanto and D&PL. But it is "first and foremost about the business opportunity, and that we genuinely believe that the combination ... has the opportunity to revitalize the cotton industry."

#### The background

May 8, 1998: Monsanto Co. agrees to buy Delta and Pine Land Co. in a stock deal valued at \$1.9 billion.

December 1999: Monsanto calls off the merger, saying it cannot resolve antitrust issues. D&PL responds by suing Monsanto in Mississippi's Bolivar County seeking an \$81 million termination fee plus damages.

January 2000: D&PL withdraws the lawsuit as both sides seek to negotiate the dispute. After Monsanto agrees to pay termination fee, negotiations falter. D&PL then renews its lawsuit, seeking \$1 billion in punitive damages plus \$1 billion in compensatory damages.

March 2000: Monsanto merges with Pharmacia & Upjohn Inc. to form Pharmacia Corp.

Oct. 2000: Pharmacia spins out its agriculture subsidiary to form the new Monsanto, which takes on defense of the D&PL lawsuit.

Sept. 12, 2003: Monsanto countersues D&PL, seeking unspecified damages including the \$81 million fee.

Oct. 8, 2004: Bolivar County court grants partial summary judgment in favor of Monsanto, saying D&PL had no right to seek roughly \$1 billion in damages for lost stock-market value. D&PL appeals ruling.

Aug. 15, 2006: Oral arguments before the Mississippi Supreme Court were set to begin, but are put on hold as the companies again announce plans to merge. If the deal closes, the suit will be withdrawn.

#### Delta & Pine Land Co.

Description: The company breeds, produces, conditions and markets proprietary cotton planting varieties for the U.S. and other cotton-producing nations. It also breeds, produces and distributes soybean seeds, primarily in the U.S. More than 90 percent of its revenue is tied to cotton.

Headquarters: Scott, Miss.

Employees: 675

Brands: Bollgard, Deltapine,

Paymaster, Roundup Ready,

Sure-Grow

Founded: 1911

Revenue, net income: \$366.1

million, \$42.6 million (2005)

Web site: [www.deltaandpine.com](http://www.deltaandpine.com)

Sources: The company, Bloomberg, Hoover's Inc.

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