



SYNERGIA FOUNDATION
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The Race for Precision & Digital Farming

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'This gives the Chinese company a strong foothold in the Indian market and they will be able to control crop and seed prices in the future with the acquisition of Syngenta.'

The corporate sector all over the world is restructuring its operations through different types of consolidation strategies like mergers and acquisitions in order to face challenges posed by the new pattern of globalization.

Cross-border mergers and acquisitions have sharply increased over the last two decades and this is partly the result of financial liberalization policies, government policies, regional agreements and the existential need for a guaranteed future.

Companies are realizing that they have to operate within a business ecology where interdependence, not independence or singular dependence, is the name of the game.

On the 22nd August, ChemChina, China's state owned Agrochemical Company received clearance for its \$ 43 billion bid to acquire the Swiss company Syngenta by the Committee on Foreign Investment in the United States (CFIUS), which authorizes deals with national security implications.

The Swiss company is one of the world's largest pesticides and genetically modified seeds company in the world. The deal comes as a surprise to anyone observing the market as earlier, Syngenta had rejected a bid by BASF citing geopolitical competition.

They also turned down bids from Monsanto three times; since the start of 2015 including a bid for over 47 billion dollars. Is this move a response to market competition or part of a larger strategic plan by the Chinese government? ChemChina has been acquiring many large scale manufacturing and technology companies across the world over the past five years.

With the acquisition of Syngenta, ChemChina has now increased its footprint the crop protection market and eventually moving into the digital agricultural world.

Market Moves

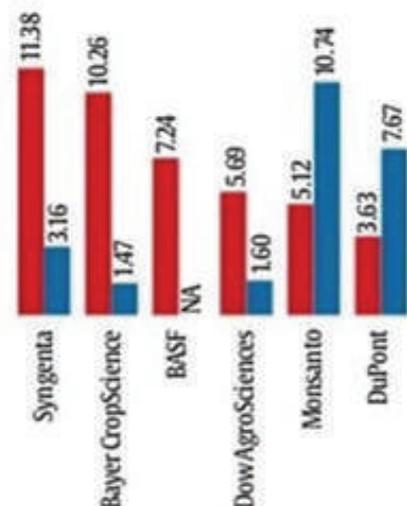
Interestingly the company has recently acquired both Israeli Makhteshim Agan Industries Ltd and German company Krauss-Maffei. It was re-branded to become Adama Agricultural Solutions Ltd which has grown to be renowned for its production of insecticides, fungicides and herbicides. The latter provides the machinery for other machines; specializing in robotics and technology development tools.

Adama have large market shares in the Indian agrochemical field with the company owning many pesticide manufacturers in the country. With Krauss-Maffei's technology such as Automation technology products, Reaction machines, Extrusion capacities plastics technology being used in India, it gives ChemChina a strong foothold in the Indian market ChemChina has also acquired the Italian giant Pirelli.

THE GLOBAL AG-SCIENCE MAJORS

(Net sales in \$ billion for 2014)

■ Crop Protection
■ Seeds and genomics



Source: Company reports.

Sales for Bayer CropScience and BASF have been converted from euro using an exchange rate of \$1.33, the average for 2014.



Strategic Vision

ChemChina's monopolization of the agrochemical sector is inevitable and as the markets grow; their access to advanced technology will increase. With Adama's advanced crop protection technology and the facilities to build systems provided by Krauss Maffei, ChemChina is strategically positioning itself to be a market leader.

Syngenta is one of the world's leaders in Precision farming and Digital Agriculture. With the acquisition, ChemChina aims to be the forerunner in precision farming and allows them to transition from traditional forms of agriculture still prevalent in China.

Precision farming is calibrated farming which focuses on individual pieces of land and crops. Advanced technology allows for the farmer to understand and administer the exact dose of pesticides to a specific part.

This is done by a complex of systems of satellites who map the area and then send commandments to drones to the specifically target areas. Blanket coatings of pesticides will be a thing of the past and with these technological improvements there is virtually no wastage as it only targets specific areas.

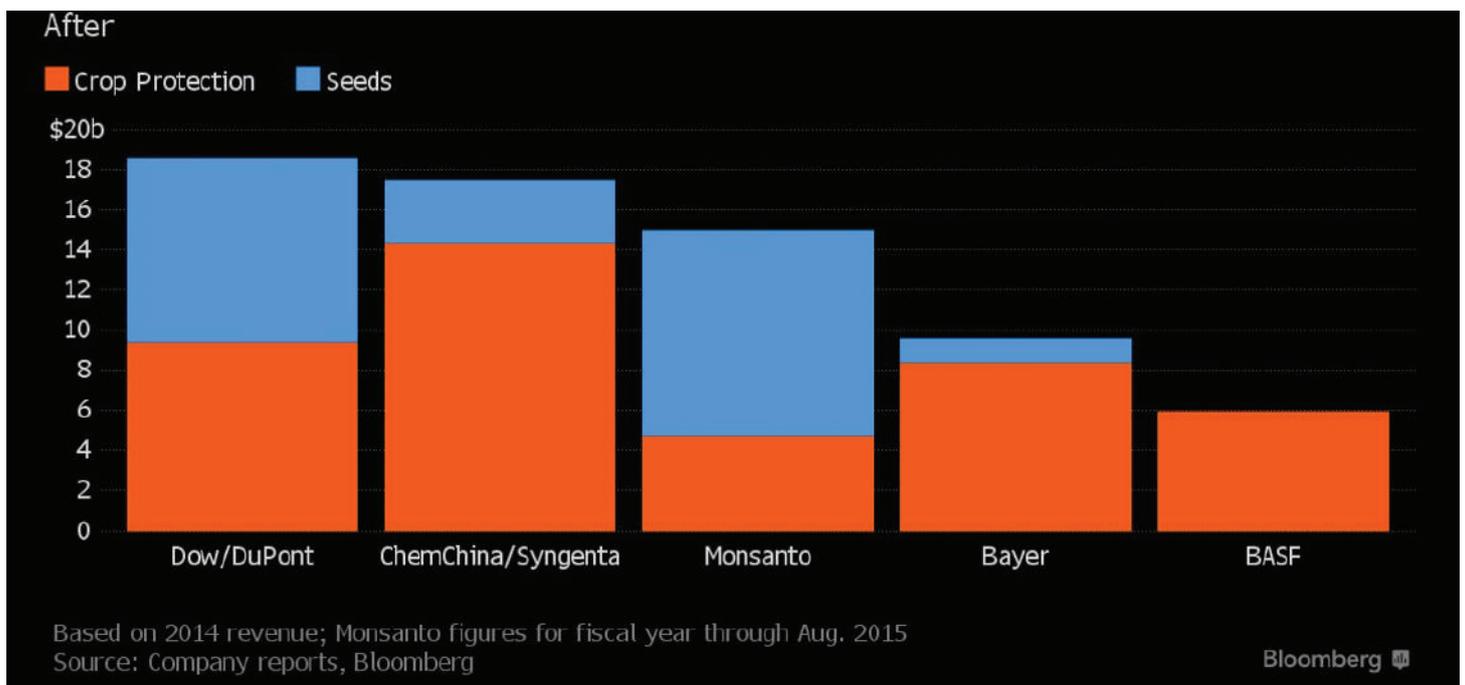
The technology allows them the access into not only the maintenance of the area but also the history of the crops in the specific areas. Unsustainable pesticide usage has caused China's land to become increasingly arid and this type of farming will stop the trend considerably.

Precision farming allows the company to maintain a price of crop requirements without any fluctuation and with this acquisition the supply chain is completely under their control.

This gives them a competitive edge amongst other competitors and will allow a stable technologically advanced system. ChemChina has now both the production of seeds and its maintenance with precision farming all under one umbrella along with the necessary components made by the subsidiary company.

They assessed the market perfectly and chose the ideal company to further their goals. The global reach of ChemChina as well has extended to all from Brazil to the U.K with these acquisitions and they are quickly establishing a strong hold due to their strategic prowess. They can now dominate the market share of the Agrochemical industry as they completely control their own supply chain.

What would the implication of this acquisition be to India?



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