



RAFI

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What do you get when you make a GM cross of Pharmacia-Upjohn and Monsanto?

Pharma-gedon*

Monsanto terminates itself. No surprises in No-Name \$27 billion merger. Move heralds pharmaceutical industry strategy to distance itself from GM food flop.

SHOTGUN MARRIAGE? Monsanto's Sunday night announcement that it will merge with Pharmacia-Upjohn ends 20 months of speculation that the agbiotech monolith would either be broken up or married off. Faced with a huge debt load following \$8.5 billion in agricultural input acquisitions; endless lawsuits claiming damages from its genetically-modified seeds; and plummeting share value and seed sales as producers and consumers back away from GM products, Monsanto had no choice but to seek protection in a larger enterprise. Further evidence of its crumbling agbiotech future, Monsanto announced yesterday that it would drop its ill-fated bid to acquire Delta & Pine Land Co. (D&PL), the world's largest cotton seed company and the co-owner (with the US Department of Agriculture) of the prototype Terminator patent. Jilted after 18 months, D&PL is now threatening to sue Monsanto for using regulatory hurdles as an excuse to drop the acquisition and to avoid paying a \$81 million break-up fee (the penalty fee if Monsanto failed to acquire D&PL by the end of 1999).

There is a good possibility that the Pharmacia-Upjohn and Monsanto deal will itself fall through. In June 1998, American Home Products agreed to hitch up with Monsanto but the deal went sour during that summer. Since then, the St. Louis, Missouri company has been seen stepping out with almost every eligible Life Industry Major including Du Pont (Wilmington, USA) and Novartis (Basel, Switzerland). According to press reports, Pharmacia-Upjohn will likely attract competing bids from other suitors.

When Novartis announced last month that it would spin-off its huge agbiotech division in a new venture with most (but not all) of Astra-Zeneca's (Sweden/UK) agchemical and seeds activities, Monsanto's options narrowed. Although DuPont was obviously interested, most analysts concurred that the pesticides and seeds monopoly that would be created by a marriage with Monsanto would be too much even for the jaundiced U.S. Justice Department. With Novartis and DuPont out, Hoechst (Germany) and Rhone-Poulenc (France) newly united as *Aventis*, and Pfizer and American Home Products competing for Warner Lambert Co., Monsanto was obliged to rummage through the Gene Giants' "B" team.

UPJOHN DOE? Although the soon-to-be-weds have yet to decide on a name for their venture, they will retain the name "Monsanto" for their agricultural activities –which will become a separate legal entity with 80% of the stock still held by the fused enterprise. The most surprising aspect of the deal is the decision to keep the Monsanto name. Tainted by Terminator, blighted by biotech backlash, and drowning in a rising tide of consumer opposition to genetically engineered crops and foods, it's hard to imagine a less popular corporate identity in 1999. The Monsanto name is clearly a liability, so it's difficult to understand why Pharmacia-Upjohn didn't insist on elimination of the Monsanto moniker as a pre-condition for the merger. Indeed, shares of both companies fell after the announced

merger, and industry analysts attribute the slide to investor disappointment that the company would preserve the flagging agbiotech business.

Perhaps the new entity shouldn't be overhasty in adopting a new name. Until they can figure out what to do about the lawsuits, Terminator and Traitor technologies, and the vestiges of the first generation of GM crops, the best strategy may be to adopt a low profile. RAFI suggests that a subtle, no-frills name such as "Upjohn Doe" with 'no fixed address' might best serve company shareholders.

SUISIDEKICK? When Novartis and AstraZeneca united their agricultural programs a few weeks ago, they decided to call it *Syngenta*. If Pharmacia-Upjohn shoulders Monsanto's Traitor Tech and \$6 billion debt burden, they could be known as *SuiSidekicks*... or maybe *Pharma-gedon* is closer to the mark. *SuiSidekicks* reflects the company's notoriety for developing suicide seeds, and plants whose genetic traits can be turned on and off with a shower of proprietary chemicals (Traitor Tech). But *Pharma-gedon* captures the real essence of the merger. After all, it's the drug companies that are the dominant force in the colossal consolidation trends. The pharma titans clearly want to distance themselves from the less profitable and extremely controversial ag biotech scene.

GM OUTS? This time last year, RAFI would have predicted that the Gene Giants would continue to integrate human health care and agricultural industries into a common Life Industry. The technology and the patent control mechanisms are very close and the long-term market opportunity for "nutriceuticals" and "functional foods" seemed to guarantee the unification of the two industrial segments. But now that the producer/consumer rebellion has crossed the Atlantic, the pharmaceutical industry wants to distance itself from the first generation of agricultural biotech products. Understandably, they are afraid that their own GM drugs will be tarred with the same brush if they have to defend GM foods.

IMPLAUSIBLE DENIAL: Does this represent a major strategic shift and a collapse of the life industry model? Not likely. It's a tactical adjustment and recognition that the first generation GMOs were scientifically sloppy and introduced ineptly. Producers and consumers see that the products have little to offer for the risks they require. It is impossible to make the marketing of seeds that can survive your own herbicides seem anything but self-serving. The second generation looks no more likely to win favor. Biotech companies are moving from input traits (like herbicide-tolerance) to output traits such as dry matter content and transportability. The second generation traits may reduce costs for food processors but, again, offer little or nothing to farmers or consumers. RAFI predicts that generation two GMOs will also flop. Pharmaceutical companies are looking up the pipeline and have concluded that the next half-decade or so of agricultural biotechnology is fraught with far too much risk. Accordingly, they'll keep the ag side of their interests at arm's length. In the long run, they won't drop agbiotech altogether because the synergies are just too lucrative to abandon. The recent moves by Novartis, AstraZeneca, and Pharmacia-Upjohn are belated – but implausible - attempts to give the Gene Giants safe shelter as the roof caves in on the GM food market.

* In 1999, Brewster Kneen, a well-known and much-respected Canadian author and agricultural activist wrote *Farmagedon*, a brilliant and thoughtful analysis of the impact of biotechnology on agriculture. We happily acknowledge that his title is the inspiration for our suggestion for a new name for Pharmacia-Upjohn/Monsanto and we commend his book to readers. The book can be obtained from The Rams Horn, S-6, C-27 Rural Route 1, Sorrento, BC, V0E 2W0 Canada. Email: ramshorn@ramshorn.bc.ca

RAFI, the Rural Advancement Foundation International, is an international civil society organization headquartered in Canada. RAFI is dedicated to the conservation and sustainable use of biodiversity, and to the socially responsible development of technologies useful to rural societies. RAFI is concerned about the loss of agricultural biodiversity, and the impact of intellectual property on farmers and food security.