

DuPont wins fight for South African seed company

July 31 2013, by David Pitt

After a nearly three-year battle with South African regulators, DuPont Co. said Wednesday that it has completed the purchase of a majority stake in South Africa's Pannar Seed. The deal greatly expands the chemical and seed company's access to new markets, and will help it boost research efforts and seed availability for farmers in Africa.

DuPont's Pioneer subsidiary, based in Des Moines, Iowa, is the second-biggest seed company in the United States after Monsanto Co. It now takes control of an 80 percent stake in Pannar Seed Ltd., a 55-year-old firm with operations throughout Africa and in other parts of the world. Financial terms weren't disclosed, but DuPont Pioneer President Paul Schickler said it is one of the largest deals in the subsidiary's history and DuPont's largest investment on the African continent.

Africa marks a major growth opportunity for seed companies because of the global scramble to grow enough crops to meet growing demand for food and biofuels. Because so much of the region has missed out on yield-improving technology, the upside to biotech development is significant. The continent has 86 million acres (35 million hectares) available for corn production, but average grain yields are about one-third of what is achieved in other developing regions and only one-fifth of yields in developed countries. Meanwhile, corn seed demand is strong and growing. In South Africa alone, annual hybrid corn seed sales total about \$350 million. The deal will allow each company to access additional crop areas and reach more customers.

But it hasn't been an easy path for DuPont. The company first announced the purchase in September 2010, in an effort to help Pioneer better compete with Monsanto to win a bigger share in the global market for genetically engineered crops. But the South African Competition Tribunal blocked the deal. In May 2012, an appeals court overturned that decision and gave DuPont regulatory clearance. DuPont helped to sway critics by promising to invest \$6.2 million by 2017 to establish a technology hub in South Africa to serve the region, similar to research hubs that the company has established in Brazil, India and China. The hub will incorporate Pioneer and Pannar research and testing locations, combined plant genetic resource collections, and staff to improve plant breeding and development for Africa.

The Africa technology hub will be connected to the Pioneer global research and development network, sharing data and analyzing research results. Research efforts will support all crops for which Pioneer and Pannar currently maintain breeding programs, including corn, sunflower, grain sorghum, forage sorghum, wheat, dry beans and soybeans.

The companies also have committed to investing another \$2 million to help farmers with small operations learn how to use hybrid seeds and adjust practices to get the best use of the new seed technology.

Pioneer will retain the Pannar brand and will expand the Pioneer and the Pannar brands and businesses.

"The partnership between Pioneer and Pannar is beneficial on many levels. It represents growth opportunities for both businesses, for employees, and for the productivity of small-scale and commercial farmers who form the backbone of Africa's economy and who will feed the continent's rapidly growing middle class and increasing population," Schickler said in a statement.

Pannar will receive access to the Pioneer genetics library and its corn breeding and biotechnology capabilities. Pioneer will tap into Pannar's expertise and reach across Africa, and its corn genetics developed specifically for the region.

DuPont, based in Wilmington, Del., said it has committed to invest \$10 billion globally in research and development dedicated to the food, agriculture and nutrition sectors and to advancing 4,000 new products by the end of 2020.

DuPont shares rose 1 cent to close at \$57.69.

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