

Bayer sells crop science units to ease Monsanto takeover

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Bayer is selling off parts of its business to ease concerns of regulators about the impact of its purchase of US rival Monsanto.

Germany's Bayer said Friday it would sell parts of its agrichemical business to rival BASF, kick-starting a competitor in the seeds market even as it clears the way for its mammoth takeover of US-based Monsanto.

The \$66 billion Bayer-Monsanto tie-up would create a world-spanning giant in seeds and pesticides, and the two firms have been mulling concessions to satisfy competition authorities—including the powerful European Commission—closely eyeing the merger plans.

"We are taking an active approach to address potential regulatory concerns, with the goal of facilitating a successful close of the Monsanto transaction," Bayer chief executive Werner Baumann said in a statement.

Friday's deal will see Bayer sell "essentially all" of its crop seeds units, its glufosinate ammonium herbicide business and related research and development activities and intellectual property to BASF for 5.9 billion euros (\$7 billion).

Proceeds from the sale will go towards refinancing the Monsanto bid.

The European Commission said earlier this month it would put on hold its investigation into the Bayer-Monsanto tie-up—the largest merger in German history—to allow the companies time to offer new information.

Environmentalists and politicians on both sides of the Atlantic fear that the deal, which would create a global seeds and pesticides behemoth with annual revenues of around 23 billion euros and 140,000 employees, would give the combined firm too much power over the food chain.

As it opened an in-depth examination of the tie-up in August, the Commission expressed concern that Bayer produces one of the few alternatives to Monsanto's product glyphosate, the most sold non-selective herbicide in Europe.

It also noted that both firms have large market shares in vegetable seeds and several field crops where their products compete against one another.

Bayer still hopes to close its Monsanto merger "by early 2018", although the Commission said in August that the deadline for a decision would be pushed back from the previous date of January 22 next year.

BASF's purchase of the Bayer units will not go ahead unless the Monsanto deal is approved.

Staple crops

The units included in the deal brought in revenues of around 1.3 billion euros in 2016, with five factories, 10 research and development sites and strong positions in staple crops like soybeans, oilseed rape and cotton, especially in the Americas.

More than 1,800 employees are affected by the move, mostly in the US, Germany, Brazil, Canada and Belgium, with BASF agreeing to guarantee their jobs for three years after the deal is inked.

It would be the first move for BASF into selling seeds genetically modified to be resistant to pesticides or harsh conditions, especially profitable when offered alongside the compatible chemicals.

"For BASF it's a step towards an integrated agrichemical business, which they didn't have and didn't want until now," DZ bank analyst Peter Spengler told AFP.

The deal "solves a puzzle for both sides, it's definitely a win-win scenario," although BASF is paying a "very high" price for "the biggest acquisition in its history", he added.

The Ludwigshafen-based group has sat on the sidelines of a dance of merger activity between some of the world's biggest chemical companies, including a Dow-Dupont tie-up in the US and ChemChina's

takeover of Swiss firm Syngenta.

Now, the group could acquire "a strategic complement to BASF's well-established and successful crop protection business as well as to our own activities in biotechnology," BASF chief executive Kurt Bock said, adding that he aims to complete the purchase by the end of March 2018.

It could keep BASF in the running as it squares off against the three seed and agrichemical behemoths born of the spate of mega-mergers.

In Frankfurt trading Friday, Bayer shares were up 1.2 percent at 118.2 euros by 1000 GMT while BASF stock fell 0.4 percent to 88.96 euros, against a near-flat DAX index of blue-chip German shares.

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