

# Five things to know about Bayer and Monsanto

August 13 2018, by Michelle Fitzpatrick

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Bayer just completed its \$63-billion (55-billion-euro) merger with Monsanto earlier this year, but could face an onslaught of lawsuits over the pesticide Roundup

A cancer victim's surprise court victory over US pesticide maker Monsanto could open the floodgates to a slew of similar lawsuits,

potentially leaving the firm's new German owner with a major case of buyer's remorse.

From the toxic legacy of Monsanto's Roundup weedkiller to fears about its use of genetically modified seeds, here's what you need to know about the \$63-billion (55-billion-euro) merger between Bayer and Monsanto.

## **Heroin**

Founded in Germany in 1863, Bayer is still best known for making aspirin. More infamously, it briefly sold heroin in the early 20th century, marketed as a cough cure and morphine substitute.

During World War II, Bayer was part of a consortium called IG Farben that made the Zyklon B pesticide used in Adolf Hitler's gas chambers.

Through a series of acquisitions over the years, Bayer has grown into a drug and chemicals behemoth and now employs some 100,000 people worldwide.

## **Agent Orange**

Monsanto was established in St. Louis, Missouri in 1901, setting out to make saccharine.

By the 1940s, it was producing farm-oriented chemicals, including herbicide 2,4-D which, combined with another dangerous chemical was used to make the notorious Vietnam War-era defoliant Agent Orange.

In 1976, the company launched probably its best-known product, the weed killer Roundup.

In the 1980s, its scientists were the first to genetically modify a plant cell. Monsanto then started buying other seed companies and began field trials of GM seeds.

It eventually developed soybean, corn, cotton and other crops engineered to be tolerant of Roundup.

## **Goodbye 'Monsatan'**

Dubbed "Monsatan" and "Mutanto", the US firm has for decades been in the crosshairs of environmentalists, especially in Europe, who believe that GM food could be unsafe to eat.

Campaigners also abhor Monsanto's production of glyphosate-based Roundup, which some scientists have linked to cancer although other studies dispute this.

Hoping to ditch Monsanto's poisonous reputation, Bayer has said it plans to drop the company's name from its products.



Roundup has been Monsanto's signature product and it developed genetically-modified versions of soybean, corn, cotton and other crops engineered to be tolerant of the pesticide

But Friends of the Earth, which has dubbed the merger a "marriage made in hell", said it would simply switch its protests to Bayer so long as it continues Monsanto's practices.

Another complaint about the latest consolidation in the industry is that it leaves the global seeds and pesticides market in the hands of just a few players—potentially pushing up prices and limiting choices for farmers and consumers.

## **Hello, lawsuits?**

A California jury last week ordered Monsanto to pay nearly \$290 million in damages to a dying groundskeeper after finding that the company failed to warn him that using Roundup products might cause cancer.

Observers say the landmark win by Dewayne Johnson, who has non-Hodgkin's lymphoma, could pave the way for thousands of cases against Monsanto.

Bayer's share price plunged more than 10 percent in response.

Monsanto has vowed to appeal the ruling, while Bayer insisted that herbicides containing glyphosate are "safe".

Analyst Michael Leacock of MainFirst bank said the legal setback was "an unlucky outcome" for Bayer just two months after sealing the takeover.

"It is highly likely that investors will take a very dim view of the recent deal," he said.

## **High price to pay**

In an industry preparing for a global population surge with many more mouths to feed, Bayer was keen to get its hands on Monsanto's market-leading line in GM crop seeds designed to resist strong pesticides like Roundup.

It was also lured by Monsanto's data analytics business Climate Corp, believing farmers will in future rely on digital monitoring of their crops.

But the takeover, one of the largest ever by a German firm, comes at a high cost.

As well as the eye-watering price tag, Bayer had to give up much of its seeds and agrichemical business to satisfy competition concerns.

Those divestitures have gone to none other than Bayer's homegrown rival BASF, the unexpected beneficiary of the mammoth deal.

And following the California court verdict, Bayer may now have to set aside huge sums to settle future Roundup claims.

"The total cost, in our view, could easily reach \$10 billion" if Bayer were to settle with a still larger number of plaintiffs, said Leacock.

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