

Bayer Proposes to Acquire Monsanto

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Bayer AG has approached Monsanto Co. about a takeover that would fuse two of the world's largest suppliers of crop seeds and pesticides, the companies said.

Details of the offer couldn't be learned and it was unclear whether Monsanto would be receptive to it. Should there be a deal, it could be valued at more than \$42 billion, which is Monsanto's current market capitalization.

Monsanto in a statement confirmed the approach, reported earlier Wednesday by The Wall Street Journal, saying the company had received "an unsolicited, non-binding proposal" for a potential acquisition. Monsanto's board of directors is reviewing the proposal, and the company said there was no assurance a deal would happen.

Bayer early Thursday confirmed that executives from the German company had met with executives of Monsanto to discuss a possible acquisition, saying a tie-up would "create a leading integrated agriculture business."

Bayer supervisory board member Reiner Hoffmann said later Thursday that Monsanto "is a complementary business. There will be synergies."

Should the bid succeed, a combination of the companies could boast \$67 billion in annual sales and create the world's largest seed and crop-chemical company. A successful deal would ratchet up consolidation in the agricultural sector, after rivals Dow Chemical Co., DuPont Co. and Syngenta AG struck their own deals over the past six months.

But there is no guarantee regulators would bless such a tie-up, and if Monsanto isn't on board, winning regulatory approval could be an even greater challenge. Indeed, people familiar with the matter have questioned whether Monsanto would be interested in such a deal.

Absorbing St. Louis-based Monsanto, the world's top seed company in terms of sales, would push Bayer far more deeply into agriculture, which currently accounts for about 22% of the German company's business. Monsanto's \$15 billion in seed and herbicide sales could make agriculture about 40% of the combined entity's business, with the rest coming from pharmaceuticals and consumer health products.

The approach comes as the agricultural sector faces heavy pressure after three years of sliding crop prices, which slashed U.S. farmers' income to the lowest level in over a decade and forced companies to cut prices on seeds while scaling back research and laying off staff. Monsanto in May cut its profit forecast for the year and is eliminating about 16% of its employees.

Folding Monsanto's world-leading seed franchise and its trademark Roundup herbicide business into Bayer would create a company that could market products ranging from Aspirin pain-relief pills to crop genetics that enable plants to withstand bugs and weedkillers. The combination would sell about 28% of the world's

pesticides and about 36% of U.S. corn seeds and 28% of soybean seeds, according to Morgan Stanley estimates.

The companies' agricultural portfolios are geographically complementary, with North America as Monsanto's largest market and Bayer having a greater presence in Europe and Asia. Bayer's broader portfolio of chemicals to kill crop-damaging bugs and weeds can be sold across more countries than the 28 that permit genetically modified crops, a business where global growth has slowed.

As crop prices have fallen around the world and biotech seeds have neared a point of saturation in major markets where they are allowed, such as the U.S. and Brazil, world-wide acreage of genetically engineered crops edged 1% lower last year, the first such decline on record, according to the International Service for the Acquisition of Agri-Biotech Applications.

Bayer has no significant business in corn and soybean seeds, the two largest U.S. crops in terms of acreage, though overlap in the companies' vegetable and cotton seed units may need to be addressed through divestitures, analysts said after Bloomberg reported last week that the German company was considering the approach.