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FOOD IS ALWAYS NEEDED

Michael Mack, CEO of agribusiness Syngenta since 2008, sees his company less affected by financial crisis

Syngenta is the world's largest producer of crop protection products and the third largest seeds supplier. Since the beginning of this year, this globally operating company is led by the American Michael Mack. For several years now, Syngenta has delivered record performances year after year. 2008 and 2009 are also said to become such record years – despite the financial crisis.

Mr. Mack, the financial crisis is forcing stock market prices lower and pushing the world economy into what may turn out to be a prolonged recession. How do you as CEO of a major global company judge the present situation?

We are living through truly exceptional times. There has never been anything comparable to this financial crisis. But the sector of the economy in which we are operating is probably better protected against the likely effects than many other industries. Supplying enough food for an expanding population is an essential task; that is why the production of food and animal feed remains stable even when the economic going gets tough. People may use their cars less, postpone their holidays or not refurbish their houses – but they cannot do without food. Moreover the demand for food has risen particularly strongly in the emerging countries because of the growing prosperity of recent years. Even if there were to be a global recession, it is unlikely that all the emerging countries would revert to zero growth. These markets will continue to have a growing need for food. By now, Syngenta earns 34% of its total sales in these countries and is achieving growth of up to 50% per year on some markets.

How do things stand on the producers' side? Has the financial crisis not made credit conditions worse for farmers?

No, we are not seeing that for the time being. The big farmers and distributors have good access to credit. What is more, the farmers have two years of good incomes behind them and their financial situation has improved as a result. In addition, the agricultural sector is being supported by a whole range of state-financed programs.

Will that continue?

Yes, there is no sign of an early change.

How do you judge the efforts made so far by the governments and politicians to fight the financial and credit crisis?

The pace at which the crisis is deteriorating has accelerated sharply. It will take some time for us to be able to determine whether and how well the crisis has been overcome. After all, substantial sums are being spent at present and the governments have acted very quickly. But I hope that the measures do not go too far and overshoot the goal. It would not be helpful if the new regulations were to extend beyond the financial sector and intervention were to occur in other branches of the economy.

Many international organizations speak of a food crisis. Here too the countries could take strong action in their efforts to overcome the crisis. How do you judge the situation?

We heard a great deal of talk of a food crisis in the spring and summer especially. In answer to the question as to whether the world was in crisis I said some time ago that I did not believe in such a crisis and that prices would fall again. We have the necessary technology to meet growing world demand. But I continue to take the view that barriers to trades and price controls are the wrong response to the challenges which are facing us. The latest developments confirm that fact: we are moving towards a record harvest and prices are falling. The European Union has recently introduced customs duties to keep cereals prices high to protect its farmers. The situation has therefore been turned on its head. At present there is no acute food crisis, at least not in the industrialized and emerging countries. But there are problems for those countries, especially in Africa, which depend on international food aid. Their imports of food have become more expensive.

What is your impression of the attitude of governments and politicians to the whole issue of food supplies? Why are they constantly falling back on trade barriers and customs tariffs?

In reply, may I perhaps briefly outline the interests of the countries concerned: Asia, apart from Australia, is a region which is currently not self-sufficient in food supplies. The governments of those countries are very worried about that and are considering how best to gradually increase their degree of self-sufficiency. In our view,

increased use of technologies in agriculture is needed for that purpose, together with more stringent regulations and better education. All that is being done in Asia, but the harvest yield is still much lower there than in the USA and Europe. I am very confident that the Asian countries will be able to introduce something like the industrialized farming which is normal in the Western countries. In Brazil that has already been done – with great success. In the USA, use of modern technologies such as crop protection and high performance seeds has permitted the greatest progress in farming. Moreover the regulatory environment is science-based and is not exposed to strong political influences. Europe for its part has moved from being a net exporter to a net importer of cereals. The political decision-makers seem to be hardly aware of their responsibility to the farmers and the world. Meanwhile, Africa is suffering from adverse climatic conditions and an inadequate infrastructure. Then again there are influences in Europe which reject the use of modern technologies so that the necessary modernization of agriculture is only making slow progress in that part of the world

What about Eastern Europe and Russia?

Eastern Europe tends to follow the South American example – big, highly efficient farm holdings are being created on an industrial scale and are helping to supply the world with the food which it needs. Politicians are supporting this trend. Agriculture is an increasingly important export factor in those countries which are therefore important markets for us.

How far has China progressed towards the development of a more efficient agriculture? Is the country capable of engaging in extensive industrialized farming?

China is already the world's second largest corn grower. The country would certainly be fit for industrial farming. The problem resides in the fragmentation of its agriculture; there are some 700 million farmers in China. If Chinese agriculture were to be converted quickly to efficient, industrial farming with large holdings, many farmers would be obliged to move into the urban areas and that in turn would cause new problems. Therefore, the structural change from small family holdings to big farms will go ahead much more slowly in China and in India than was the case, for example, in Brazil. At present, land reforms are already under way in China which facilitate the sale of arable land. In India, a further factor is that the proportion of vegetarian food is higher and vegetables are not grown on such a large scale as maize, soybeans or wheat.

Back now to the prospects for your business for next year. Prices of maize, soybeans and cereals have fallen significantly and fertilizer prices are high. How will that influence next year's planting season?

We are confident. The season will not begin in the northern hemisphere for another five months. The farmers have good years behind them and fertilizer prices have now also fallen with the lower price of oil. Diesel prices too are significantly lower. And although record harvests were brought in this year, global stocks are still low measured against their historic levels.

Are the current falls in the prices of agricultural commodities attributable more to the good harvest or to sales by financial investors?

Prices have fallen, but from a very high level driven partly by speculation. They are still significantly higher than they were three years ago. For the farmers the situation remains favorable. And all the pointers are that prices will tend to rise again in the long term because of the population growth with which we are familiar. We must not forget either the fact that only around half of Syngenta's business is dependent on the major crop plants which are traded like commodities. The other half is accounted for by a wide range of seeds and crop protection agents, for example for vegetables, fruit and flowers. Prices in those segments are far more stable.

Interview: Andreas Meier