

**Translation: “Europa sieht vor allem Risiken und Nachteile”, Stocks,**

24 April 2009

### **“EUROPE FOCUSES ON THE RISKS AND DRAWBACKS”**

*Stocks: Let's begin this discussion by mentioning a name which is in the news at present: Ilse Aigner. What effect does her name have on you?*

Michael Mack: Are you referring to the events of the week before last – to the ban on GM corn growing in Germany?

Yes.

The question always arises as to whether such a decision was taken for political reasons or on the strength of new scientific knowledge. I am interested in the issue against that background.

*Be that as it may, this was a decision with far-reaching consequences.*

The ban on MON810 does not concern Syngenta directly – this is a Monsanto product. Our genetically modified corn variety is called Bt-11.

*...but it is still in the EU approval process.*

That is true, since 1998. It is significant to the extent that Bt-11 has already been grown and sold in the USA since 1996, so creating a suspicion that the registration procedure is mainly influenced by political considerations in the EU and that scientific facts count for less.

*What are the reasons for your doubts?*

There is not one scientific study which shows potential risks of genetically modified corn. It has been grown round the world for many years – for example in the US and Argentina. The technology is accepted there.

*Why does the same acceptance not exist in Europe?*

We must make a clear distinction: the European EFSA authority has made a detailed review of the technology and repeatedly made positive recommendations for Bt-11. It has confirmed the fact that this product is safe. But the political hurdles cannot be overcome.

*People are afraid of genetic modification.*

When I moved to Europe at the end of 2004, I constantly heard people refer to “Frankenstein food”. Fortunately, that phase is now behind us. And more and more Europeans are saying: how is it that people all over the world are eating these products yet not suffering any health problems? I have the impression that attention in Europe is focused primarily on possible drawbacks and risks. And as long as consumers derive no direct benefit, they see no reason to accept a new technology.

*Will Syngenta ever give up?*

No. Not at all. From a long term perspective, we take the view that genetic engineering will also be accepted in Europe. Most of the animal feed used in Europe is already genetically modified; and we eat the meat from these cows and pigs – without any health risks at all. Another example: in 2008, we introduced a genetically modified sugar beet variety in the US. When sugar beet is grown, weeds are normally hard to control but this new variety is resistant to a herbicide. In other words this herbicide can be broadly used without damaging the sugar beet. The result is that the sugar beet no longer has to compete with weeds for water and nutrients and the yield is much higher.

*When we talk about sugar beet, the subject of fuel inevitably springs to mind.*

That is right. This sugar beet is outstandingly suitable for fuel production. I believe that such industrial applications of genetic engineering in plants may also increase their acceptance in Europe in the medium term. Genetic engineering would then not necessarily finish up on our plates but in our fuel tanks.

*The use of plants in fuel: that takes us straight on to the upcoming ethical debate.*

Plants can be converted into sugar and then into fuel. Some plants are particularly well suited for that use – including sugar cane – and others less so. Of course we do not want less food to be available simply because fuel is derived from plants; that is why we are working intensively to find new ways of making the production of biofuels more efficient. Science has not yet succeeded in permitting the production of biofuels under ideal conditions.

*Moving on from the ethical debate to hard facts: Syngenta has published good Q1 results but not announced any targets.*

Yes we did.

*More specifically?*

Our goal for 2009 is to again achieve further growth in earnings per share.

*Expressed in figures?*

2008 was a record year for the sector and especially for Syngenta. Against the backdrop of an uncertain economic environment it is difficult to set precise target figures for growth at this juncture.

*Where do you perceive the influences of the environment?*

Primarily at the level of our customers. However, the economic crisis is not making itself felt in the same way all over the world. It takes a different form in the USA than in the Ukraine for example.

*....we will come back to Ukraine in a moment. But I interrupted you.*

Syngenta's growth prospects are based on two global trends: rising population numbers and growing prosperity. Population growth is a more or less fixed parameter and running at around one per cent a year, equivalent to some 80 million more people every year. Then there is the matter of rising prosperity: people who earn more, eat more and above all they seek higher value food. This trend is influenced by the crisis. We are aware of a weaker growth in prosperity today – especially in the emerging countries. Here growth in demand for higher quality food products is less than before. The prices of what are called soft commodities have fallen. However, farmers want to achieve the highest yield from their land – in the form of harvest output and also from the financial angle. If a farmer earns less money for his harvest he also has less to invest. Purchase decisions – including decisions to buy our products – are now being weighed up carefully.

*How long will the uncertainty last?*

I cannot say. And please do not ask me where we go from here. The money which governments are pumping into the markets all over the world also brings risks of inflation – and therefore does not necessarily stimulate demand.

*So you do not agree with the approach taken by the Governments?*

This trend must be monitored closely.

*Would the money which is currently being pumped into ravaged industries not be better directed at agro-business?*

No, short-term intervention brings no results here. Long-term investments in infrastructure and education are needed now, especially in the less developed countries. From the global perspective, we then also need an efficient trade policy and scientifically based regulatory frameworks. When it comes to regulatory processes in our industry, sufficient political intervention is already taking place.

*Are you not satisfied with this?*

I welcome stringent regulatory processes – they are designed to create confidence. But they must be scientifically based and not politically motivated.

*Can I turn to the subject of Ukraine. Syngenta mentioned that country in connection with the notion of “risk management”. What does this mean?*

As far as we are concerned, tight risk management means making sure that customers are able to pay for our products. In countries like Ukraine, and also in Brazil and Argentina, dealers and farmers have less financial flexibility today than one year ago. We prefer to avoid transactions which may appear as credits outstanding in our books, but could result in a payment default later on.

*But these very countries are attractive from the growth point of view. This is surely a real dilemma?*

No. In 2008, we reported strong growth in the emerging countries, in some countries even more than 50 per cent. We are investing heavily in those countries. We are well placed locally and are therefore able to assess the risks very accurately.

*When the soft commodities price bubble burst the Syngenta share was also hit in 2008. Is that because more and more private investors are getting active on these markets – for example through derivatives?*

The answer to that question is not so easy. Last year, Syngenta's business developed very much in line with commodity prices. That phase is now behind us. You cannot regard our products as being linked to the price trend of soft commodities.

*Why?*

Because our earnings only grow to a limited extent in line with that price trend. If the price of a crop rises strongly, it is the farmer who earns this additional bonus

*In describing your Q1 result you spoke of the “late season” and indicated a period of drought in South America as a reason for slower growth. Does an investor have to be a meteorologist to understand Syngenta?*

That is a very good question. The answer is easy. No, he only needs to be familiar with the cycle of global agriculture. In the northern hemisphere, summer holds the key because crops are planted in the spring. If a farmer is to be out in the fields on his tractor in April/May he must make his purchases in March/April. If spring comes somewhat late as happened this year, the last week of March can turn into the first week of April – and sales then also shift into the next quarter. The result achieved in the first half for the Northern hemisphere is therefore more meaningful for the Northern hemisphere, just as the result for the second half is the key factor for the Southern hemisphere.

*You have achieved 40 per cent of your sales with new products. How long does development take?*

As long as it does in the case of pharmaceuticals. Some eight years elapse between discovery and market launch, followed by twelve years of patent protection. If we have developed a new product we can extend its range of applications by a combination with other active substances. That often makes the product easier for farmers to use.

*Are generic products not a risk for you?*

Generics have never succeeded in achieving a market share of more than around 25 per cent.

*Because the market is so tight and the hurdles so high?*

Yes. Let me continue with my comparison with the pharmaceutical industry. An aspirin tablet contains the same active substances on all the markets all over the world. Things are different in our industry. In Poland you cannot necessarily sell the same crop protection product as in the South of France – we have to match our products to climatic conditions, soil quality, pests and other factors and develop appropriate formulations and blends which take account of local needs.

*Consolidation of the market ..*

...as we saw in the nineteen nineties.

*Is no longer possible today.*

There are only three major companies active in each segment of crop protection and seeds.

*Only three?*

To stick with crop protection, I do not count Monsanto – of late the Americans have developed hardly any new active substances. Only Bayer, BASF and our own company are investing heavily in the development of new active substances. Monsanto, DuPont and Syngenta are leaders in seed supply, including both conventional and genetically modified seeds.

### **Personal particulars**

Michael Mack began his career with Syngenta in 2002 – he was Head of Crop Protection for the NAFTA region (Canada, Mexico, USA) and then Chief Operating Officer of the Seeds Division (starting 2004). In 2008, the American was appointed to the post of Chief Executive Officer (CEO). Before his time with Syngenta, Mack worked for Imerys a French mining and pigments group as Chairman of the global paper division. Following the merger with English China Clays (1999), Mack was appointed to the post of Executive Vice President for the Americas and Pacific Region in addition to being an Executive Director of the Board. The married father of two children lives in Basel. He graduated in economics from Kalamazoo College in Michigan, studied at Strasbourg University and obtained an MBA from Harvard University. Mack describes photography as his hobby.

Interview by Volker Strohm