ACQUISITIONS AND STRATEGIC ALLIANCES: A MEXICAN CASE STUDY

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The agribusiness interests of Monterrey, Mexico, based in Empresas la Moderna (now Savia S.A. de C.V.) started in tobacco. The organization was a cigarette manufacturer and started doing business with small farmers producing high quality tobacco. At one time it had 16,000 producers in partnership. In 1994, the chairman decided to go into the seed business and purchased the Asgrow Seed Company. Later, in 1996, Asgrow was divided. The fresh fruits and vegetables division was retained and the grain and oilseeds division was sold to Monsanto.

In 1995, the company merged with Petoseed Co. Inc. and Royal Sluis, B.V. In 1996, it had an additional merger with DNA Plant Technology Corporation (DNAP). In 1997, it acquired Agricola Batiz, S.A. de C.V. (ABSA). ABSA had several alliances in the past which did not last very long. ABSA lasted about two years with Empresas la Moderna and about two more years with some other companies. In 1997, Cigarrera La Moderna was sold for $1.7 billion. Part of the sale was used to pay off debt and the other part was used to buy some new companies (two in Korea, one in India and the LSL acquisition).

DNAP Technologies, a merger partner, does applied research in the development of technologies and transgenic plants. It has experience and know-how in technology and has developed key strategic alliances with other companies. DNAP is involved in production, marketing and distribution.

DNAP Technologies has technological alliances with Seminis, Monsanto, John Innes, CIICA (a center for tropical research located in Tapachula, Chiapas), Mendel Biotech, Kosan, University of California and other universities and institutions. DNAP is working on functional genetics, identifying gene functioning, optimizing benefits for producers and consumers, and improving health and nutritional attributes. As the company has focused on looking toward the future, it has had to decommoditize the business. It has been bringing new products to the producer and the consumer. DNAP has found that with its seed business, the producer can improve his yield and income.

Empresas la Moderna's subsidiary, Seminis, has the largest germplasm bank in fruits and vegetables in the world. It has 52 research and development centers in 18 countries and over 500 scientists worldwide. Twelve percent of its sales are devoted to research and over 20 percent of sales are generated by new products. It has production capacity in 29 countries. Seminis produces more than 20 species and more than 3,000 varieties worldwide. It has marketing and distribution in 125 countries. Fifty percent of its sales are direct to producers. It is working to improve delivery systems by venturing into electronic commerce.

Seminis has research alliances with Monsanto, Zeneca, DuPont, Agrevo, Cornell University, John Innes, five Chinese institutions, Texas A&M University, the University of California, the University of North Carolina, the University of Jerusalem, Wageningen University and 94 other universities and research facilities. These alliances are for production and research.

Seminis has a strategic alliance with Monsanto. That alliance gives Seminis access to technology free of royalties for ten years. It gives Seminis exclusive rights for the use of technology with specific characteristics in fruits and vegetables. It benefits the producer in terms of pest and virus resistance. It benefits the processor and consumer by increasing sugar content, shelf life and ripeness. The value-added benefits are shared on a 50/50 basis with Monsanto.

Section 3

Economic Adjustment in Small Farms

The objective of this session is to present evidence on the impact of policy reforms on the ejido sector and ejidatario households.