

FUTURE OF CROP PROTECTION

Brian Hicks, editor of *Crop Protection Monthly*, reports on a one-day conference on the future of the crop protection industry – part of The AgChem Forum, organised by IBC Global Conferences at the Hotel Okura, Amsterdam in April 2002

How the analysts perceive the market

Matthew Phillips (Phillips McDougall, UK)

Dr Phillips estimated that the global pesticide market was worth some US\$25,760 million in 2001 at distributor level, down 7.8% on the 2000 total of \$27,830 million. The global agricultural biotechnology market was worth \$3,010 million, up 12.9% on the 2000 figure of \$2,665 million (using average exchange rates). In real terms in 2001, Dr Phillips estimated that the total crop protection industry had declined by 6.8%, the worst result in 20 years. He commented that GM crops were taking value out of the chemical side and that e-commerce developments had led to price cuts in the US market.

He said profitability in crop protection was good when compared with the specialty chemicals sector. Dr Phillips sees the emergence of dedicated agribusinesses as a positive development and expects more mergers to occur in Japan. He is optimistic about industry's ability to innovate, with 13 new active substances coming on to the market in 2001 and 70 new ones in the development pipeline. He considers that how US glyphosate prices change in the future will be a very critical market factor.

Fred Mathisen (Wood Mackenzie, UK)

Mr Mathisen looked forward to when the agrochemical industry downturn would be reversed. He estimated that the real compound annual growth rate (CAGR) of the agrochemical market from 1971–1981 had been 6.7%, from 1981–1991, 2.4%, and from 1991–2001 minus 0.5%. Mr Mathisen estimated the value of the global agrochemical market at US\$27.1 million in 2001 and expects this to decline by 0.7% to \$26,920 million this year. He predicts a CAGR of 0.9% for the market, reaching a value of \$28,292 million by 2006.

Mr Mathisen expects herbicide sales to fall by 1.0% in 2002 to \$12,760 million, insecticides to fall by 1.7% to \$7,611 million and fungicide sales to grow by 1.7% to \$5,927 million. From 2002 to 2006 he expects the CAGR of herbicide sales to be 0.8%, insecticides 0.1% and fungicides 2.2%. He expects the oilseed rape and cereal crops sectors to have a CAGR of 3.1% from 2002–2006, with the cotton sector declining by a CAGR of 3.7% over the same period. Mr Mathisen is predicting an 8.5% fall in the Latin American market in 2002 and a CAGR of minus 0.8% from 2002–2006. He expects the markets in Western and Eastern Europe to show the highest CAGR to 2006 at 2.7% and 2.4% respectively, with the Far East and the US somewhat behind at 0.9% and 0.7%.

Mr Mathisen expects *Roundup Ready* soybeans to be officially approved in Brazil in 2003, resulting in a decline of \$200 million in the herbicide market there. In practice, he said that some 30% of soybeans grown in Northern Brazil were already *Roundup Ready* and 50% in the South, even though illegal. Mr Mathisen said that agrochemical sales in Argentina had risen by 6% in the first half of 2001 but fallen by 5% in the second half. However, the fallout from the recent economic crisis there had resulted in a 50% drop in agrochemical sales in the first quarter of 2002. Mr Mathisen anticipates a decline in the global agrochemical market as the first sales of GM wheat and rice commence.

Boom in research outsourcing

Andrew Hill (Covance UK) told delegates that the provision of contract research to the pesticide industry is currently 'booming'. He estimates that outsourcing to contract research organisations (CROs) accounts for US\$130–160 million annually on a global basis. Dr Hill reckons that industry spent 7% of overall sales in 2001 on R&D with some 8% of this outsourced. He commented that the European pesticide directive 91/414/EEC had led to a big increase in work for CROs. It typically costs EUR 3.7 million per ai for review and some large companies are contracting out 70–80% of their registration work. New Japanese Ministry of Agriculture guidelines will provide further work for CROs, as will biocides over the next 4–5 years. From 1993–2002, the crop protection industry lost seven R&D sites in the UK and three in continental Europe. This has caused staff to move from industry to CROs, a positive development in his opinion.

Dr Hill expects that from 2003, CROs in Europe will become increasingly reliant on new compound work. Many new CROs are starting up, especially in areas such as residues and terrestrial ecology, and there is growing competition from the Far East, India and Japan.

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- *Registration of Agrochemicals – Update on Recent International Developments*
- *Metabolism of Agrochemicals in Plants and Animals – Recent Developments and Experimental Approaches*
- *Pesticides in Water – EU Perspectives*
- *Food Safety and Dietary Risk*

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