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Planting the Seeds of Growth

By DYAN MACHAN

Monsanto CEO Hugh Grant aims to increase crop yields and feed a hungry planet. He's now deft at countering critics—and enriching shareholders.

Is **Monsanto** the Great Satan?

Opponents of genetically modified seeds have called the company evil incarnate, notwithstanding its notable contributions toward lifting farmers out of poverty and expanding the food supply of a growing world. Environmental crusaders, movie stars, and politicians have all gotten in on the vilification act, charging that Monsanto's seeds and the plants they produce are unsafe and violate farmers' and consumers' rights.

If the attacks unnerve Hugh Grant, a gracious Scotsman now in his 10th year as the company's CEO, he doesn't exactly show it. "Some days are rougher than others," he says of the corporate and personal insults, not to mention the bumper crop of misinformation surrounding the world's largest seed concern.

But, he adds, "I couldn't imagine doing anything more meaningful than what I'm doing."

Enlarge Image

Paul Nordmann for Barron's

Grant's journey took him from lettuce fields to the corner office.

Monsanto (ticker: MON) first achieved success in 1983 in genetically altering plant cells, and produced its first genetically modified crops later in the decade. The company's seed and seed-traits business, which also includes conventionally bred products, generated 70% of last year's revenue of $13.5 billion, while crop-protection products accounted for the remainder. Monsanto, **DuPont** (DD), and **Syngenta** (SYT) together produce half of the world's seed supply.

CRITICS CONTEND THAT the long-term effects of consuming gene-altered plants directly or through animal protein haven't been studied adequately. Some blame the company for causing allergies, autism, and cancer, while others say Monsanto's products are responsible for the emergence of "superweeds" and "superbugs." Yet, according to the U.S. Food and Drug Administration, in the nearly two decades since crops grown from genetically altered seeds entered the world's food supply, scientists have yet to prove they cause harm.

To the contrary, Monsanto's Golden Rice, fortified with vitamin A, has saved lives in Southeast Asia. Pest-resistant, genetically engineered cotton has lifted living conditions among Indian farmers. Based on field trials, the company's drought-tolerant corn could vastly improve lives in Africa. Of all this and more, Grant is justifiably proud.

Last year, biotech crops reduced the need for chemical pesticides, supported biodiversity by saving land, boosted crop production by $98 billion, and alleviated poverty for 50 million, according to the International Service for the Acquisition of Agri-biotech Applications, a nonprofit in the field. "The real Frankenstein monster isn't GM [genetically modified] technology, but our reaction against it," says Mark Lynas, an author of books on climate change who once burned fields planted with GM seed.

Then he studied the science. "Monsanto has become a convenient whipping boy for a worldwide anti-science movement that is trying to strangle an entire technology at birth," he says. "That it claims to do this in the name of environmentalism is particularly egregious."

For all their outrage, Monsanto's enemies haven't dulled the world's appetite for its products. The company, based in St. Louis, is on track to deliver a third consecutive year of 20%-plus earnings growth. It is projecting a record year in global corn-seed volume, and also sees continued strength in the herbicide business. Analysts expect earnings per share to jump to $4.58 in 2013 and $5.32 in 2014, up from $3.70 in 2012.

Monsanto's stock has been on the rise, too, having doubled to a recent $95 since the middle of 2010. Split-adjusted, the shares have returned almost 1,100% since Grant, 55, took charge in May 2003. They yield 1.8%.

SEED GENES AREN'T the only thing with which Monsanto has tinkered in recent years. Under Grant's direction, the company effectively has genetically modified itself.

For most of the past century, Monsanto was a chemicals producer, although it eventually exited from the industry through a series of mergers and spinoffs. Grant, then chief operating officer, began to reshape the company in 2002 through acquisitions in the seed and biotech arena, with a focus on highly profitable corn and soybeans. "He brought a focus desperately needed by the company," says Ray Goldberg, a professor of agriculture at Harvard Business School.

Today, Monsanto dominates the sale of soybean seeds in every key market outside Asia.

Most genetically engineered crops are sold to large food companies, or used for animal feed. Grant also sees great potential for applying advanced breeding techniques to improve flavor and nutrition in the retail produce aisle. Since 2008, with the acquisitions of the seed companies Seminis and De Ruiter, Monsanto's vegetable business has grown to $851 million. It is now the company's third-largest business, after corn and soy, helped by the success of products such as EverMild, a low-tearing onion, and golf-ball-size Bellafina peppers.


IN THE SPOTLIGHT

Age: 55

Education: Glasgow University, B.S. (honors), molecular biology and agricultural zoology, 1980; Edinburgh University, graduate diploma in agriculture, 1981; International Management Center, Buckingham, U.K., M.B.A., 1986

CEO since: 2003

Boards: PPG Industries, CropLife International, Donald Danforth Plant Science Center, Washington University in St. Louis, St. Louis Science Center

Affiliations: Civic Progress, American Academy of Arts & Sciences

First job: Salesman for Monsanto

Monsanto

Recent Price	$97.34
52-Week Range	$109.33 - $82.70
Market Value	$52.0 billion
2012 Revenue	$13.5 billion
2012 Net Income	$2.0 billion
2012 EPS	$3.70
2013E EPS	$4.58
2014E EPS	$5.32
P/E 2014E	18.3
Dividend yield	1.8%

working on dairy and vegetable farms.

Family: Grant's spouse, Janice, was a midwife in the U.K. The Grants, who have three grown children, enjoy wilderness hiking.

Career impetus: "My curiosity. Agriculture is a common denominator around the world, so you can pretty much go anywhere."

Backyard farmer: Grant replaced part of his lawn with a garden, where he grows tomatoes and vegetables. He relies on a drip-irrigation system, and uses compost. He has won a tomato-growing contest with Rob Fraley, Monsanto's chief technology officer, for three straight years. Grant on Fraley's tomatoes: "He struggles with yield." Fraley on Grant's success: "He spends too much time gardening."

Enlarge Image

Monsanto also is aiming to sell seeds for tomatoes that stay on the vine longer than conventional varieties, and taste as if they were picked in the backyard. Ironically, says Grant, the first commercially sold biotech plant, the Flavr Savr tomato, was bred to be picked early, but lacked much flavor to save or savor. The plant was developed in 1992 by Calgene, which Monsanto subsequently acquired.

Nearly 80% of packaged foods sold in the U.S. contain corn, sugar beets, or soy planted from transgenic seeds. Demand has been growing among opponents to require mandatory labeling, and both Connecticut and Maine have passed GMO (genetically modified organism) labeling laws. Monsanto supports voluntary labeling, and believes that other initiatives are misdirected.

"We breed seeds," Grant says. "A farmer plants and harvests. Someone else grinds it up; other companies produce and package. For the moment, we take the heat for the entire channel. It would be nice to see the others engage in the conversation," he says.

GRANT GREW UP IN Larkhall, a coal and steel town in central Scotland. He was the first in his family to attend college, the beneficiary of a government grant earned by good grades. His father worked in a men's-suit factory, where Grant found a job in the mailroom. Sending packages to exotic locations sparked his desire to see the world.

The study of agriculture would be his ticket. During school breaks, he worked at a local vegetable and dairy farm, and early on saw his hard work pay off. After toiling in the fields picking lettuce, he was promoted to a coveted indoor post harvesting tomatoes. "I was diligent with lettuce," he says.

Grant's career with Monsanto began in 1981, shortly after he circled a help-wanted ad in the Scottish Farmer newspaper at the Edinburgh agricultural library. As 50% of the company's workforce in Scotland, he sold barley farmers on the benefits of using Roundup herbicide. "It was the best job on the planet," he recalls.

He soon was promoted to run a Monsanto team in Northern Ireland, where his natural talent for managing caught the attention of higher-ups. In 1991, while working in product development outside of London, he was called to St. Louis to become strategy director for Roundup. "He had the courage to push management for a price decrease, helping boost volume dramatically," says Rob Fraley, Monsanto's chief technology officer.

Grant's next assignment took him to Singapore, where he increased Monsanto's sales throughout Southeast Asia. He was called back to St. Louis in 1998 as co-president of the company's agriculture division, and became chief operating officer in 2000. His advancement, he says, resulted from his adherence to a few management tenets he still embraces. He gets all members of a team focused on a goal, and has them meet frequently to tweak the strategy being executed. "It's not a magic recipe," he says.

Grant works in a bunker-size converted cubicle illuminated by a florescent light that would be at home in a garage. Ten years ago, when he chose the office, he was making a statement that the new Monsanto was a start-up, or at least a start-over, with a much tighter budget than its chemicals precursor. At the old Monsanto, executives had spacious offices with long windows and pink marble floors; those now serve as conference rooms.

THE WORLD'S POPULATION is growing both larger and richer, which spells challenges and opportunities for Monsanto. The total population is expected to reach 9.5 billion by 2050, up from seven billion now. Some 800 million people suffer from hunger and malnutrition in some of the fastest-growing regions on the planet.

With wealth increasing in Asia and Africa, more people are adding animal protein to their diets, substantially lifting demand for feed crops. In 2008, Grant established a goal of doubling crop yields in the next 20 years, but now doubts "if doubling will be enough."

Nigeria will be the third-most-populous country in the world by 2050, according to the U.N. Population Division. In the U.S., an average acre of farmland produced 148 bushels of crops in 2012, but in Nigeria, it produced just 29 bushels. Monsanto has been working on the development of a more drought- and pest-tolerant corn in conjunction with the Bill and Melinda Gates Foundation, and will provide seeds royalty-free to owners of small African farms.

THE FACTS ABOUT FOOD supply and demand are so dire, Grant says, that today's debates about bioengineering might soon seem quaint. Either technology will be used to increase yields on arable land, or the environment will be even more heavily taxed. "We will look back whimsically at the fights between big and small, organic and agricultural production, and local versus global," he says.

For the past 8,000 years, he adds, farmers have been altering the genetic makeup of crops by saving seeds from their favorite plants. They learned that some plants with desired characteristics could be mated or cross-pollinated to increase yields in the offspring. But finding the necessary traits could be a lot like finding the proverbial needle in a haystack.

Monsanto's breeding technology can lower the odds to five from one trillion of finding the right characteristics in a single plant. "The application of data gives you a deeper insight into breeding that has been done the same way for 100 years," Grant says.

As for the daggers now flung at Monsanto, the CEO is quick to note that they're not new. One of his role models, Norman Borlaug, received the Nobel Peace Prize in 1970 for introducing a variety of highly productive wheat seed to India and Pakistan, perhaps saving a billion lives. "He faced controversy his whole life," says Grant.

The leadership of India initially wasn't keen on Borlaug's seeds and advanced farming techniques. "Not a lot different from what we are seeing today," says Fraley, the technology officer. "Someday, the world will understand and appreciate what we're doing."

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