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George Kidd

Mycogen magically turns around Agrigenetics

It was a routine, concise message, one that almost went unnoticed. A dozen years after its founding, Mycogen (San Diego, CA) recently announced its first-ever profit. Rightly so, Mycogen's management boasted about reducing by 20% its operating expenses to about $116 million for fiscal 1994, while experiencing only a 6% dip in revenues to $117 million for the year. Its tad over $2 million in earnings is nothing short of a miracle, given the history of Agrigenetics, the sizable seed company that Mycogen acquired in late 1992 and then renamed Mycogen Plant Sciences (MPS). Truthfully, until Mycogen turned it around, Agrigenetics stood as a stark example of the unfulfilled dreams and the financial disappointments that have plagued agbiotech.

From the start, Agrigenetics was David Padwa. Padwa—a brilliant New York lawyer, a spellbinding speaker, and a savvy financial dealmaker—had retreated to Santa Fe, NM, for retirement while in his mid-forties, after selling his educational business to Xerox (Rochester, NY). For several years thereafter, Padwa indulged his retirement fancies in everything from Buddhism to rock climbing. Then he and his wife got an itch to be environmentalists. In 1975, Grassland Resources was born, with Padwa's acquisition of a sleepy grass seed business near Denver. Padwa's plan was to offer reclamation plantings to mining companies in the intermountain west.

Despite the cozy avocation, Padwa grew restless. He read about molecular biology and imagined its potential in the seed industry. Padwa's growing curiosity led in 1978 to a defining meeting with Bill Teweles, a 30-year veteran of the seed trade and the president of L. William Teweles (Milwaukee, WI). Teweles muses about his first encounter with Padwa, stating, "Among the backdrop of coats and ties, Padwa showed up in a cowboy outfit, convinced that he was properly attired for the meeting with seedsmen." The Padwa/Teweles meeting was a turning point. Teweles convinced Padwa that the scattered seed industry sorely needed consolidation and professional management. An amazing buying spree followed.

A parochial Grassland Resources was transformed into Agrigenetics after a decade and a dozen acquisitions. Agrigenetics emerged as the seventh largest seed company in the U.S. and as a research and development (R&D) trendsetter. The company's product portfolio grew to over 50 seed species, most distributed coast to coast. Through an R&D partnership, Agrigenetics raised $55 million, which it dispersed across the globe to support a hundred fledgling projects at universities and ag research institutes. It also hired top R&D managers—including Joe Key from the University of Georgia (Athens, GA), Bob Lawrence from Union Carbide (Tarrytown, NY), and Tim Hall from the University of Wisconsin (Madison, WI)—to head competing teams in cell culture and plant transformation.

Agrigenetics' headquarters moved to a slick new building in Boulder, CO, previously built for Cray Research (Minneapolis, MN). Visitors were greeted with an imposing view of an active tissue-culture laboratory. The company also transformed an aging, research building in Madison, WI, into a world-class, R&D facility that equaled the facilities of the big boys. Senior managers were recruited from Union Carbide, FMC (Philadelphia, PA), and Monsanto (St. Louis, MO). Young-turk scientists scrapped for jobs to be a part of the dream.

However, the late 1980s were less kind to Agrigenetics. The company, still bloated with debt from acquisitions and still hot for capital to continue to grow, was showing signs of distress. Its strategy of buying companies during an era of extraordinary inflation, in the hopes of paying back acquisition costs later with "ever-cheaper" dollars, was unraveling. Stretched thin by far-flung operations, Agrigenetics' financial stress was further aggravated when its initial public offering was halted by an unwelcoming public equity market. The company agreed to a bailout proposal from Lubrizol (Wycliffe, OH), a supplier of lubricant additives to the energy industry.

On the surface, Lubrizol seemed an unlikely suitor. Before Agrigenetics, though, it had dabbled in seed by purchasing other small operations specializing in sunflower and soybean. Through Agrigenetics, Lubrizol anchored its move from petroleum-derived additives to those extracted from renewable crops. Agrigenetics' technologies fostered Lubrizol's formation of a new division in specialty vegetable oils.

Through the early 1990s, Agrigenetics still struggled under Lubrizol's tutelage. The seed industry was becoming increasingly competitive, as crop acreages were whipsawed by big changes in federal ag programs. Lubrizol approached Mycogen to construct a creative and beneficial swap. In a two-step process, Mycogen acquired control of Agrigenetics, now MPS. By late 1993, Mycogen owned about 80% of MPS and had laid the foundation to acquire Lubrizol's remaining 20% interest for stock before the year 2000. Additionally, Lubrizol committed to sponsor R&D at Mycogen, to the tune of $12 million, to fashion oilseed crops for Lubrizol.

Mycogen began surgery on MPS. Mycogen sustained an unbelievable $75 million in losses over 1992 and 1993, as it applied unconventional remedies. First, Mycogen instituted a rapid brand consolidation. Age-old, leading brands, such as Jacques and McCurdy's, were rapidly concentrated under the single banner, MPS. Second, Mycogen instituted a radical reduction in MPS' sales force. Many in the seed trade quietly predicted disaster. After all, the loss of well-known brands would certainly confuse farmers, and fewer salespeople could only further erode sales and service. Despite the skeptics, Mycogen's contrarian strategy has produced a satisfying payoff. ///

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