

# [What moves should monsanto now make](https://assignbuster.com/what-moves-should-monsanto-now-make/)

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Monsanto's greatest challenge is seemingly its greatest opportunity. As biotech companies produce " smarter" products, much of the world continues to resist the benefits. Despite the huge potential of genetically modified (GM) foods, Monsanto continues to be plagued by heavy spending, leadership changes and the high cost of marketing genetically altered crops to the world.

Of Monsanto's two main products - genetically altered seeds and chemicals - Roundup has been Monsanto's cash cow for years and the mainstay of the company since 1901; however, the chemical business is in sharp decline. In 2003, biotech revenues are expected to surpass chemical revenues.

In the face of this inflection point, Monsanto needs to take the position of an analyzer1, by protecting its biotech position, while also searching for new product and market opportunities. Monsanto is clearly a technology company and research & development (R&D) is its future. As you've stated, you " can't run a technology business on a hope and a prayer that the European situation will improve in the near-term." The European Union (EU) postponed a vote on Monday, November 10, 2003; to begin importing GM food. With public opinion in Europe largely hostile to GM foods, it would be difficult to predict the outcome of the December 2003 vote. 2

In the face of the EU position on GM, a key strategy for Monsanto should be China, which needs genetic research as a way to get the most from its arable land, which is already scarce. China entered the World Trade Organization (WTO) in 2002 and appears on the doorstep of more open trade rules. Monsanto should take advantage of this huge opportunity by forming partnerships with companies like Cargill, who also see China as a strategic market, and the governments of U. S. and China, to introduce genetically modified seeds and chemicals. This introduction needs to be done in a way as to not threaten China's domestic producers, but rather offer new opportunities. This move could also extend the life of Monsanto's chemical products in a new and growing market.

A second key strategy should be the analysis of other product and market opportunities. Much as Nokia went from tires to a cell phones, Monsanto needs to consider applying development efforts to non-food products that leverage their strong R&D capabilities. Monsanto should consider taking a portion of their total R&D spend, say 10% or $10 million\*, and devote this money solely to non-food based GM products. See Appendix for a list of product/market ideas.

In summary, the world population will double in 50 years. There is not enough land to feed the world population at this rate. While the European community wrestles with their fears of GM food, Monsanto must take an " analyzer" position to maintain its leadership position in biotech products while exploring other product and market opportunities. Monsanto has been the industry leader and first to the market in many categories, a position it must continue to maintain and exploit to achieve sustained competitive advantage.

As Monsanto analyzes new product and market opportunities, following is a list of ideas that Monsanto could consider:

\* Currently scientists can take genes from fish that swim in icy waters and inject them into strawberries to resist frost. This type of biotech research and application would potentially be applied to such things as:

\* Oranges to resist frost. There could be opportunities to form partnership with companies such as Cargill, which has an orange juice business, to fund research.

\* Roses and other flowers to resist frost. These products would be ideal for northern climates where unexpected frost can kill plants & flowers.

\* Develop chemical coatings for aircraft to resist ice build-up.

\* Form an alliance with the U. S. government and NASA to develop products for the space agency. For example, R&D spending, through funding from the U. S. government, could go toward products that assist in protecting the Space Shuttle from the intense heat of re-entry. Perhaps products or chemicals could be develop that would replace the insulation panels that caused the latest Space Shuttle disaster.

\* Form alliances with companies to develop software and labeling for GM food. A directive was passed into EU law in October 2003 that requires any food or animal feed that contains at least 0. 9 percent of GM ingredients to have a label. By taking advantage of this type of product opportunity, Monsanto could begin to work with the EU, rather than against, to develop products that meet their standards. They could also create a competitive advantage over other bio-tech companies, like DuPont, by offering traceability software and labeling for any products produced through Monsanto seed and/or chemical products.