
# 2014 OUTLOOK FOR WORLDWIDE CROP PROTECTION MARKET

**A look ahead to 2014 for crop input manufacturers, distributors, trading companies and registration consultants**

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## Favorable market outlook for crop protection, agriculture in general.

Agriculture and crop protection along with it continues to rise. The global push to feed 9 billion people by 2050 is generating better access to crop production technologies, especially in emerging markets. Global crop protection sales have increased 6%-7% in the past few years and are expected to maintain their current trajectory.

## Commodity prices remain solid – though possible clouds on the horizon

The sale of crop production inputs have been buoyed by the prolonged favorable prices of commodities, especially corn and soybeans. Farm incomes are the largest contributor to the consumption of crop inputs – especially discretionary fertility applications, fungicides and plant health products. These boom times appear to be hedging in the past few months, and commodity futures are trading at 10%-20% lower levels for the first time in several years.

## Consolidation across the distribution chain

Consolidation continues in several areas of the value chain. In the distribution chain, large distributors are delving more aggressively into retail to control distribution to growers. The larger in-country distributors are consolidating retail outlets under their umbrella. This latter consolidation trend will help farmers gain more regular access to crop inputs and better access to newer technologies. It's estimated that 45% of crop protection distributors also carry fertilizer and 30% also carry seed.

## Consolidation at the manufacturing level

China's small and medium-sized enterprises are facing facility regulation that will force buyouts and closures. The Chinese government is encouraging larger organizations that can compete globally instead of a highly fragmented market that competes too aggressively domestically. As larger companies develop, there is more opportunity for collusion and supply disruptions.

## Cost of production is rising

Rising labor costs combined with fluctuating raw materials costs result in higher manufacturing costs. Investment into automation will help lower costs long term, but the cost of capital upgrades likely will be passed along to distributors.

## Fewer active substances emerging from R&D pipelines

An average of six active substances are slated to be released each year, a slight uptick from a low of three about a decade ago, but new active substances are not

filling the pipeline fast enough. The European Union's REACH legislation has subtracted more than 180 active substances from legal use. In conjunction, residue limits for these banned chemicals have been reduced to zero, meaning there is a de facto ban on these chemistries in all countries that export agriculture goods to EU member states.

## Heightened interest in formulation optimization, application technology and good agricultural practices, especially at the distributor level

With the absence of extension services, many distribution networks act as crop advisors who facilitate scouting, diagnosis and prescriptions. With new products entering the value chain that are low-use, low-toxicity and necessary replacements for banned substances, education programs about responsible use, best agronomic practices and product information will help speed the adoption of new technologies.

## Premixes, combo products dominate new releases

Premixes and combination products of all kinds continue to dominate new product launches and margins for all companies, including R&D companies. Proprietary post-patent premixes and combination products generate more revenue for the Big 6 R&D companies than their traditionally patented products. Premixes boast better efficacy, higher application efficiency, and lower toxicity profiles than their single-active predecessors. In-country distributors are eager to extend their product offerings and local brands with these products. Biological products continue to be adopted at a healthy pace. Most of the sector's meteoric rise has been in the U.S. and Western Europe, but emerging markets are showing great interest. Distribution and access to novel technologies, as well as lack of education about integrated pest management (IPM), are the largest obstacles to more rapid adoption and sector growth.

## Stewardship and sustainability

Stewardship, sustainable business initiatives and community outreach are playing a larger role among multinational organizations and top-tier post-patent producers. Environmental, economic and social sustainability have contributed to more efficient and profitable businesses and are better for communities. Companies throughout the value chain continue to use measuring tools to reduce their costs, shrink their footprint and improve operational efficiencies.

**ABOUT *FARM CHEMICALS INTERNATIONAL***

Farm Chemicals International creates a community around crop protection manufacturers, distributors, trading companies and registration consultants through its coverage and analysis of crop production news and trends, as well as coverage of trade policies, agronomic practices, crop reports, regulatory issues, company profiles and personality profiles of the world's most influential agriculture entrepreneurs and industry advocates. The FCI Trade Summit organizes business meetings for crop protection producers and distributors. The Trade Summit thrives on its ability to introduce a diverse group of crop input manufacturers to in-country distributors, thereby providing access to efficient, effective and affordable production technologies for the farming communities they serve.

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